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# West Europe Report

RETHINKING EUROPE'S FUTURE:  
DEFENSE, POLITICAL, SOCIAL GOALS

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20 February 1985

## WEST EUROPE REPORT

RETHINKING EUROPE'S FUTURE:  
DEFENSE, POLITICAL, SOCIAL GOALS

Paris CONTREPOINT in French No 48 [Autumn 84], pp 7-9, 13-27, 29-43, 45-51, 53-67, 69-79, 81-113, 123-126, 137-152

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## SOVEREIGNTY, SECURITY, COMMON GOALS

Paris CONTREPOINT in French No 48 [Autumn 84], pp 7-9

[Editorial by Yvan Blot, graduate of the ENA [National School of Administration], administrative inspector, lecturer at the Institute of Political Studies of Paris, president of the Club de l'Horloge, member of the Central Committee of the RPR: "Europe and 'Constructivism'"]

[Text] Following World War II, Europe was torn in half by the iron curtain. West of that barrier, a process of European union was launched in order, first of all, to prevent a return to fratricidal wars and, second, to organize a coherent unit to face the threat now represented by the Soviet Union and its empire.

The conditions governing the formation of European communities and associations remain the same. The Soviet threat has increased militarily and the iron curtain is still in place. The need to organize Europe remains.

And yet, the work which led to the creation of the European community now seems in many ways old-fashioned. Europe is experiencing serious difficulties. It is not stimulated by any true ideal as it was at the time of the both national and liberal revolutions in 1848. Europe has become above all an enormous bureaucracy, somewhat controlled by political bodies and removed from the people's concerns.

To use the excellent terminology of Nobel Prize winner Friedrich von Hayek, it has been marked by the original error of "constructivism."

Originally, it was definitely a matter of creating Europe through the means of a supranational-type political and administrative construction. The Europe of iron and steel and Euratom came about at a time when economic planning was in vogue. Even today, when one envisages a Europe of state-of-the-art industries, it is often based on a technocratic vision. One should not be astonished at the failures.

Postwar Europe is curiously absent from the domain of the functions of sovereignty and security. In contrast, it is highly visible in the regulation of the details of economic and social life. In other words, Europe is the reflection of the postwar political vice that struck most Western nations. A

state weak in its own functions, a state invading the sphere of daily activities: That is the feature of the sociodemocratic systems established nearly everywhere in the Western world.

In order to give new thrust to the European idea, it is necessary to rethink the role of the European nations. Europe should above all be a diplomatic and military unit. That is where the need for a world force, on the level of the superpowers, is felt the most for our European peoples as well as for the world balance. The union of West Europe can play a useful role in this framework, but if this is not possible, then one must imagine a more restricted one. Diplomatic and military Europe does not necessarily require the creation of a supranational bureaucracy. What is important is agreement on certain major common policy objectives: the attitude toward the American ally, the attitude toward the Soviet threat, the relationship with countries of the "South." In addition, Europe must be the framework for common regulations in a context of respect for the market economy and free enterprise. Common policies can be drafted with respect to the major common problems: family policy, the policy of abolishing uncontrolled immigration, cultural policy, protection of freedoms vis-a-vis the state regarding information, education or the economy.

All these policies can be conceived, if necessary, outside of the rigid framework of the institutions in Brussels. It is less a matter of "building" Europe than of creating a network of common institutions and rules enabling European nations to better defend their common interests.

Historically speaking, the model of evolutive creation of the Swiss Confederation is undoubtedly more pertinent than the American model. The United States has been a single nation since the War of Independence. Just as Switzerland was created on the basis of common interests without denying the small cantonal homelands, Europe can be a confederation that respects the nations constituting it. One must not start from "a priori plans," but the organic realities of nations. The work of organizing Europe must be based on three main guidelines: 1) the guideline of sovereignty: establishing elements of common diplomacy based on respect for the same values of civilization; 2) the guideline of security: European nations must be responsible for their own defense and not be reduced to the status of permanent dependency on the United States; and 3) the economic, social and cultural guideline: In these areas, it is necessary to guarantee Europeans the maximum freedoms. Europe must be a political framework for free exchanges and not a reserved domain for a cancerous-type bureaucratic planned economy.

Every guideline of political action is based on a central value. For sovereignty, the central value is deep-rootedness. Europe owes it to itself to defend its heritage of civilization. For security, the value to restore is responsibility. Assistance is not a long-term solution. For the third functions, particularly the economy and culture, the central value is freedom, which alone enables the creative forces of man to blossom.

It is in the light of these values that one must judge European institutions and examine the possible role of each in connection with the competent states.

We must not "build" a Europe based on preconceived notions, rigid planning, a Europe alienated from the people. This Europe could only lead to paralysis. Europe must be organized around certain essential values based on its nations and providing the specific services that those nations can expect from the common organizations. This will not come about by reducing freedoms and neglecting nations. Europe should be inspired by the admirable slogan of the canton of Vaud: "Freedom and Homeland."

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## ANALYSIS OF DEMOGRAPHIC CONSIDERATIONS

Paris CONTREPOINT in French No 48 [Autumn 84], pp 13-22

[Article by Gerard-Francois Dumont, docteur es sciences economiques, graduate of the Institute of Political Studies of Paris, graduate of the Poitier Institute of Business Administration: "Europe and Its Demography"]

[Text] What does the future hold for Europe? What choices will the peoples of our continent make for the years ahead? The often generous political programs rouse hope. Some believe that European unity is a necessary condition for the future. Others think that the prime affirmation of a French identity would be more effective for a more promising European solidarity.

Beyond this debate which has long pitted Gaullists and moderates against one another in France, one parameter sheds essential light: demography. Actually, this oft forgotten indicator turns out to be a veritable barometer of the evolution of societies and therefore that of Europe.

## Future Certainties

It is forgotten because its progress is slow. The working unit in matters of demography is the generation, or 30 years. But demography indicates data full of certainties. It writes the future more accurately than horoscopes do. In fact, all Europeans who will be 20 years old by the year 2000 have already been born! Ruling out migratory movements and an evolution in survival rates based on age, certain characteristics of the European population at the beginning of the 21st century are already known. The only uncertainty concerns the number of young people under the age of 16 by the year 2000 -- meaning the number of births that Europe will record between now and the year 2000. In contrast, the age pyramid for the beginning of the third millenium can be projected with certainty for those over 16. No circumstantial factor can modify this fact of the year 2000 already present today. Only structural changes due to conflicts, famine, medical changes or population shifts can contradict this demographic future of Europe already engraved in 1984.

To learn about the European population today therefore amounts to taking a true measure of the future. This demonstrates the importance of demography. This arid science rewards anyone with sufficient intellectual curiosity to worry about a vision essential to an understanding of the present and the future.



In order to analyze the demographic situation of Europe, one must first of all take a brief look at its history. Such a look will help us to make a lucid and up-to-date diagnosis of the European population. But one must relativize the trap of generalization and examine the substantial differences existing between the different countries of Europe. An examination of what truly happens in the East European countries will also make it possible to take a more precise measure of demographic realities.

Backed by a knowledge of current data, it will then be possible to view future prospects and their foreseeable consequences.

This diagnosis will lead to a decision on the need for a real demographic policy in Europe.

### First Demographic Revolution

In 1862, Louis Pasteur became a member of the Academy of Sciences. That French chemist and biologist would, thanks to his work, become one of the artisans of the great demographic revolution that would completely modify the demographic scheme of things in Europe. Before that revolution, European peoples had a birth rate whose high level was indispensable in order to balance the mortality rate, particularly the infant mortality rate. Very substantial medical progress was to bring about a decline in mortality, lengthen the human life span. It would considerably reduce infant mortality, lowering the risk each child had of dying before reaching adulthood by 50 times.

During the last third of the 19th century and the first third of the 20th, the fertility of European couples regularly declined, but that drop practically remained without effect because of the decline in mortality. Only France, whose drop in fertility began with the beginning of the 19th century under the influence of different factors, particularly the Malthusian nature of the Napoleonic Code, was already affected by aging and could only limit its consequences by substantial immigration.

Throughout this entire period, the drop in fertility was sometimes inadequate in some countries to merely replace generations in Europe. But that insufficiency was not necessarily worrisome because, at the same time, gains due to the decline in mortality increased. Furthermore, during the second third of the 20th century, it was as if the risk had been understood. The demographic revolution made it possible to cut the fertility necessary for life by three, but no more. The demographic awakening of Europe, which on the whole came about from about 1935 to 1965, would mark a renewal that would spread on the economic and social levels after the wrenches and wounds of World War II.

In 1957, the Rome Treaty was signed. In 1965, Europe was a budding community whose demographic vitality was real and which seemed to be acquiring the means of asserting its personality vis-a-vis the two great powers of the East and the West.

## Second Revolution

It was then that the second demographic revolution that would change the nature of motherhood was to come about. Since he has been on earth, man has always used contraceptive measures. In the 19th century, France demonstrated the effectiveness of its contraceptive determination by reducing its birth rate in considerable and even excessive proportions. But until the end of the second third of the 20th century, contraceptive techniques were not totally effective. Above all, motherhood remained essentially instinctive. Babies born were not necessarily wanted, planned. An investigation conducted in France indicated that 48 percent of all births at the beginning of the 1960's corresponded to pregnancies not truly wanted by the couple at the time. Nor must one forget that these undesired children were practically all welcomed with joy and loved like the others.

### 1965 Break

Modern contraceptive techniques were to change maternity, which would become voluntary and no longer instinctive. Europe thus experienced its first demographic break, which we situate in 1965. Every year, one or several countries would have a drop in births compared with the preceding year: Belgium in 1960, Austria in 1964, Germany, Switzerland, the United Kingdom, the Netherlands, Italy and Spain in 1965, Denmark and Sweden in 1967, Norway in 1970 and France in 1972. It should be noted that the United States and Canada preceded Europe in 1958 and 1960 respectively.

But the essential in demography is not the number of births, but the index of fertility. And it was in 1965 that it began to decline in Europe.

The speed at which births were reduced varied in the different European countries, however, implying gradual modifications in the size of the populations. Consequently, the weight of Spain and Ireland increased relatively, while that of France took on more importance compared with Germany.<sup>1</sup>

### Second Break: 1973

The first break in 1965 was therefore marked by a change in the direction of an evolution in European fertility. But that change would worsen, bringing about a second break in 1973. Up to that year, fertility had dropped, but remained sufficiently high to ensure a simple replacement of the generations. In other words, it remained greater than the unsurpassable figure which, as demographers have shown, is an average of 2.1 children per woman.<sup>2</sup> This minimum is important because if it is not achieved, a population ages unavoidably.

Since 1973, old Europe has become a country of old people, a "wrinkled" Europe. In 10 years, from 1973 to 1983, the Europe of the Ten needed 6 million more births in order to retain its demographic level. It is the lack of births which measures the amount of aging. Europe is gradually losing its young people, registering a drop in the proportion under the age of 20, while the proportion of the aged population increases.

## German Depression

This overall evolution marks substantial differences. The drop of the Federal Republic of Germany is particularly spectacular. The synthetic fertility index fell from 2.32 to 1.43 in the space of 20 years and even to 1.2 if one considers only women of German nationality. Births registered in Germany are clearly under deaths, despite the number of births among immigrant families. The population of Germany has dropped every year since 1980.

## Births and Generation Deficit of the Europe of the Nine

Year	Births in Thous.	Fertility Index (No. per Woman)	Net Rate of Repro.	Births Projected Based on 1968 Rate (2.5 approx. per woman)	Gap (Between 4 and 1)	Neces. Replace. Level (2.1 approx. per woman)	Absolute Genera. Deficit (6-1)
1964	4,541	2.75	1.28				
1968	4,206	2.50	1.17				
1969	4,132	2.42	1.14	4,262	131		
1970	3,989	2.33	1.10	4,265	276		
1971	3,998	2.31	1.09	4,325	327		
1972	3,799	2.175	1.026	4,365	566		
1973	3,619	2.04	0.96	4,432	813	3,723	104
1974	3,490	1.95	0.92	4,470	980	3,755	265
1975	3,311	1.84	0.87	4,507	1,196	3,786	475
1976	3,216	1.77	0.84	4,540	1,324	3,814	598
1977	3,158	1.728	0.82	4,567	1,409	3,836	679
1978	3,147	1.705	0.81	4,612	1,465	3,874	727
1979	3,191	1.714	0.815	4,652	1,461	3,908	717
1980	3,271	1.74	0.827	4,695	1,424	3,943	673
1981	3,220	1.69	0.80	4,750	1,530	3,993	773
1982	3,194	1.676	0.795	4,757	1,563	4,018	828

Source: APRD [expansion unknown]

## Irish Example

Inversely, a country which escaped the general European population trend is Ireland. That country registered but a very limited drop in fertility, whose level is double the European average. Ireland's population is not growing older.

Greece, for its part, retains a sufficient fertility index compared with the minimum needed to maintain its population. However, it has had an increase in its aged population whose consequences are numerous.<sup>3</sup>

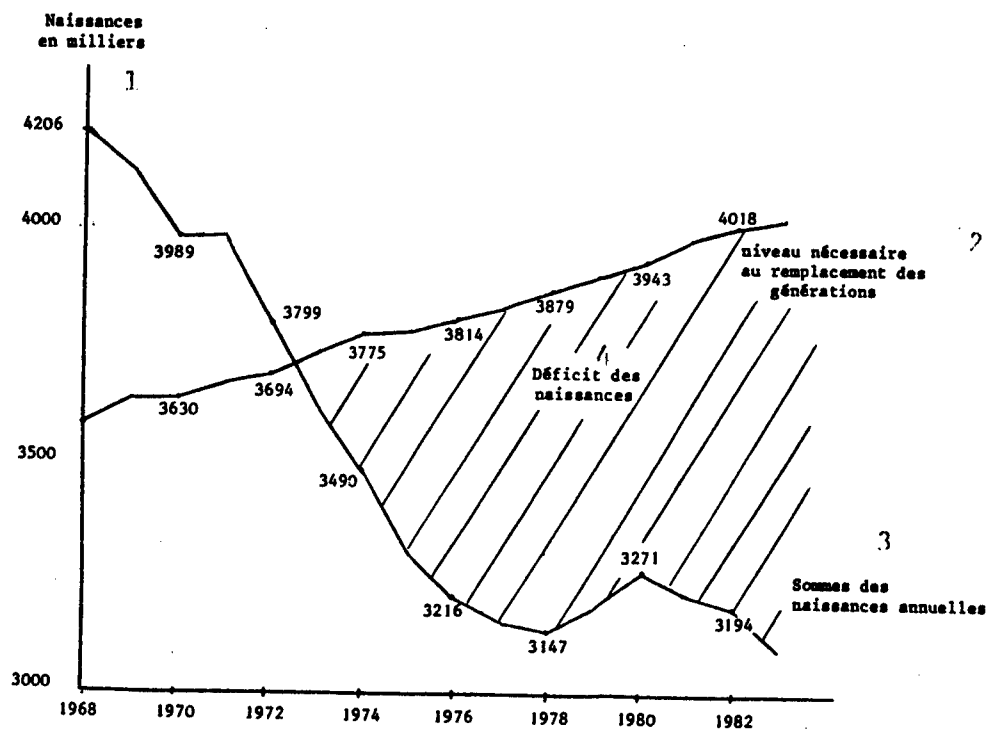
France is in an average position, with an evolution parallel to that of Europe of the Ten. Among the elements justifying a smaller population decline of France compared with Germany, Belgium, North Italy or the Netherlands is

the existence of a family policy which, although deteriorating, remains relatively more favorable than in neighboring countries.

### Aging Europe

Demographic figures therefore indicate a low European birth rate and, in addition, a structural evolution of its population toward aging. The empty cradles of Europe are very numerous and too numerous to be able to speak of the future with confidence. Do growing gaps at the base of the European age pyramid not give rise to fear of a softening, even a gradual collapse of Europe in a few generations?

Generation Gap of Europe (The Ten Without Greece) (Source: APRD)



(3) Cf. Le chapitre d'Ira Emke-Poulopoulos, dans "Population, travail, chômage", Economica, 1982.

Key:

1. Births in thousands
2. Level necessary to replace generations
3. Sum of births per year
4. Shortage of births

The drop in marriages is also general. The proportion of divorces is growing. Figures also indicate a similar trend for the drop in fertility and that of marriages, which began in Denmark around 1965 and gradually spread to Germany, England, France and Italy. Despite the relative increase in births outside of marriage, cohabitation essentially appears to be a scarcely fertile standard.

Regular modifications affect the evolution of morals and contribute to the preference of cohabitation over marriage, as is the case in France. At the same time, deliberate infertility has assumed major proportions in Germany and the Netherlands.

#### East Europe

What is the situation in the neighboring countries of East Europe? These countries have experienced a drop in fertility much earlier than in West Europe. This drop actually began as early as 1951 in Bulgaria and Czechoslovakia, 1952 in Poland, 1955 in Hungary and 1956 in Romania, while the hinge year is 1964 in the West.

One should immediately except Poland, which is in a way the Ireland of the East. It has adequate fertility, which is the highest in the East. At the same time, it is a very Catholic country.

The other Eastern countries have shifted between Marx and Malthus. What, in fact, is the ideological foundation of the socialist population policies? In his time, Marx criticized the Malthusian population law. Lenin published a famous article in 1913 on the working class and Malthusianism. The socialist regimes therefore have a solid ideological arsenal enabling them to show that the demographic measures taken are in perfect agreement with the "Marxist-Leninist theory of population." This sometimes requires a certain flexibility of mind. Thus, abortion has been authorized since the 1950's in the people's democracies (with the exception of the GDR, which did not liberalize it completely until 9 March 1972), appealing to the principle of individual freedom and for the purpose of protecting the health of women endangered by illegal abortions. Abortions were then restricted in 1966 in Romania and 1973 in Bulgaria, Czechoslovakia and Hungary, in the name of the need to protect the health of women against repeated abortions and to protect the lives of the unborn children.<sup>4</sup>

#### Parallelism and Divergencies of the Two Germanies

An essential differences separates East Europe from West Europe demographically. The Eastern countries all moved toward lower birth rates, even if they reacted in a scattered fashion with a varying dose of incentives and repression.

This essential difference can be illustrated by the evolution of the two Germanies. In 1974, with a fertility index of 1.54 children per woman, East Germany is the lowest. That same year, the Federal Republic of Germany continued its drop and reached 1.51 children per woman. The parallel evolution of this divided country is extremely spectacular given the difference in their political system. Will that parallel development continue? No, for on the one side, the FRG, which had already dropped vertically, was to continue its fall, at a slower rate, of course, which is explained by the weak level already achieved in 1974. The 1.54 of 1973 would become 1.51 in 1974, 1.45 in 1975 and 1976, 1.40 in 1977 and 1.78 in 1978 and 1979, the current level.

But the leaders of the GDR understood that maintaining such a low fertility rate could lead to the annihilation of the country in only two generations and decided on a major population policy: The "father state" (*Vater-Staat*) asked for a third child and sought to optimize the size of the family. This objective was pursued based on the characteristics of the East German economy, which needs the work of 80 percent of the women to maintain its production level.

Second, the government of East Germany is the only one not to have restricted abortion and contraception, which remain unrestricted and free of cost. But an important opinion campaign has called for a national recovery to avoid collective suicide. "A true communist woman does not have an abortion" has become a widespread slogan.

### *Babyjahr* and the Housing Policy

This has been accompanied by a massive policy of incentives to families. A one-year child-raising vacation -- the *babyjahr* -- was instituted in 1976 and involved the payment of an allocation equivalent to sick leave. This leave is granted following a 26-week maternity leave starting with the birth of the second child. Care for the mother and child is totally free.

Other measures, particularly regarding housing, are along the same lines. Starting in 1976, the evolution of the GDR differed from that of the FRG. The fertility rate rose from 1.54 in 1975 to 1.64 in 1976, then 1.85 in 1977 and 1.90 in 1978-1979. In 1980, the gross birth rate (number of births per 1,000 inhabitants) was 14.6 in the GDR compared with 10.0 in the FRG.

The GDR thus brought about a spectacular recovery of its population rate. Even if this recovery appears to be still inadequate, it has nevertheless made it possible to avoid the nearly suicidal evolution of the FRG, where the aging factor and loss of population are worsening at a rate that might accelerate further in the years ahead.

### Enlightening Projections

Today, all the demographic indicators of the Europe of the Ten are in the red, with the exception of Ireland and, to a certain extent, Greece. Can these indicators help us to make a projection about what Europe will be like in the 21st century?

Three hypotheses are necessary in order to situate this projection and must be kept in mind in order to understand it properly. A projection is not an estimate, but only an attempt to discern the future.

We have assumed a stability of survival rates based on age, an absence of migratory movements and maintaining current fertility rates, which vary from 1.40 for the FRG to 3.00 for Ireland (for this country, one takes the hypothesis of a gradual drop from 3.00 to 2.1) with an average of 1.66 for the Europe of the Ten (without Greece; with Greece, the average can be estimated at 1.685).

With these hypotheses, by the year 2030 -- meaning in a generation and a half -- the Europe of the Nine would have no more than 221 million inhabitants compared with 261 in 1983. It would have 18 deaths for every 10 births. Those under the age of 20, which represent some 29 percent of Europe's population in 1982, would be only 20 percent by the year 2030.

By extending the same curves 50 years more, by the year 2080, Europe would have only 144 million inhabitants, or almost half of the current figure, with only 10 births for 19 deaths, a birth rate of 9 per 1,000 compared with 12.2 in 1982 and a mortality rate of 18 per 1,000 compared with 10.6 in 1983.

### Multiple Consequences

These projections show what the demographic consequences of the current excessively low fertility of Europe could be. One must emphasize that the drop in births has much more serious effects than an epidemic such as the black plague, for example. The latter "distributed" its effects over all ages of a population and affected aged as well as younger persons. But it did not affect the potential of demographic dynamism of the population.

The drop in fertility also has economic, social and cultural consequences.<sup>5</sup> The social imbalances risk worsening, capacities for adaptation and growth are challenged and the cultural and language influences may weaken.

However, two essential consequences are often forgotten: on the one hand, the ecological consequences and on the other, the geopolitical consequences.

Ecologically speaking, the defense of nature goes hand in hand with the protection of life and calls for a true symbiosis between man and nature. However, aging and the loss of population no longer permit proper maintenance of nature. These two phenomena decrease the capacity to fight harm. Where there are no more men to take care of nature, mountain avalanches become more dangerous because tree trunks no longer cut offer no more natural barriers. Undergrazing has negative consequences. The absence of herds, caused by the lack of humans, has effects on the evolution of vegetation, precipitating that of the hillsides.

These few examples show the importance of ecological aspects.

But without a doubt, even more fundamental to the future are the geopolitical consequences of the aging of the population in Europe. The differences of demographic pressure are fundamental. If one considers, on the one hand, the countries with a Christian civilization on the northern Mediterranean and, on the other hand, the countries with an Islamic civilization on the southern Mediterranean, one will note that they now have essentially the same size population. By making a projection,<sup>6</sup> one sees two totally divergent evolutions. In the south, the population is rejuvenated and doubles between now and the beginning of the next century. These changes will have a decisive weight regarding the future of European peoples.

Population of the Europe of the Nine: APRD Projections 1982-2030-2080  
(Source: APRD)

	1 Naissances (milliers) 1964	1982				en 2030			en 2080			3 Hypothèse d'indice de fécondité
		Population (million) 1.01.1983	Naissances (milliers)	Décès (milliers) 2	Population (million)	Naissances (milliers)	Décès (milliers)	Population (million)	Naissances (milliers)	Décès (milliers)	Hypothèse d'indice de fécondité	
R.F.A. 4	1 065,4	61,5	619,8	714,3	40	280	850	19	136	435	1,4	
FRANCE	877,8	54,4	798,0	543,2	53	579	790	41	441	675	1,8	
R. UNI 5	1 017,5	55,7	717,0	663,0	51	520	850	35	346	610	1,7	
ITALIE	1 016,1	56,5	634,7	538,4	49	430	850	30	265	540	1,6	
PAYS-BAS. 6	250,9	14,34	172,0	115,5	11,5	98,	220,	6,7	54,	135,	1,5	
BELGIQUE 7	160,5	9,875	123,9	109,6	7,9	76,	140,	5,5	48	102	1,6	
LUXEMBOURG	5,2	0,36	4,4*	4,0*	0,28	2,3	5,2	0,15	1,2	3,1	1,5	
DANEMARK	84,3	5,115	52,7	55,4	3,8	27	75	1,9	15	46	1,4	
IRLANDE	64,1	3,45	72,3*	32,4*	4,8	68	60	5	68	68	3,0 à 2,1	
EUROPE 8 DES NEUF	4 541,8	261,24	3 194,8	2 775,8	221,2	2 080,	3 840,	144,3	1 374,2	2 614,1		

\* 1981

Source : A.P.R.D.

(Key on following page)



Key:

1. Births (in thousands)
2. Deaths (in thousands)
3. Projected fertility rate
4. FRG
5. United Kingdom
6. Netherlands
7. Belgium
8. Europe of the Nine

### Indispensable Leap

An objective look at demographic data and their likely evolution therefore raises numerous questions, for it shows that what is at stake because of the demographic depression is the very vigor and vitality of the old continent. The figures and trends lead one to fear a "dead-end future"<sup>7</sup> for a wrinkled Europe.

Far from provoking indifference and passiveness -- already too widespread -- these analyses should awaken European awareness to reality and help bring about the measures and policies that are indispensable so that Europe may escape the logic of decline. Nothing is the result of accident. Regulations of years past have not been neutral and have helped worsen the demographic situation. The increase in the number of Malthusian-type legislation, the negative attitude of society toward children and the gradual exclusion of large families have consequences that can be measured in population figures.

A Europe of old people cannot be a strong Europe. A Europe of old people cannot be an independent Europe. A Europe in decline cannot exercise a positive role in the evolution of the world.

It is up to the communities, to nations, to the Community to review the numerous measures that have a negative influence on families and therefore on demography.

The future of Europe is up to the Europeans. But if they want to remain capable of mastering an independent and strong destiny that is slipping away from them, they must bring about a veritable leap that will have all the characteristics of an awakening.

### FOOTNOTES

1. See Rexeco, 8 May 1978.
2. See Gerard-Francois Dumont, "La France Ridee," Hachette, Collection Pluriel, 1979.
3. See The chapter by Ira Emke-Poulopoulos in "Population, Travail, Chomage," ECONOMICA, 1982.
4. See Gerard-Francois Dumont, "Demographie Politique," ECONOMICA and Editions of the APRD, 1982.
5. See in particular the chapter by Alfred Sauvy in "La France Ridee," Hachette, Collection Pluriel, 1979.

6. For a complete report on the subject, see Gerard-Francois Dumont, "La Montee des Deséquilibres Demographiques," ECONOMICA, 1984.
7. See Pierre Chaunu, "Un Futur Sans Avenir," Calmann-Levy, 1979.

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## EUROPEAN COOPERATION NEEDS OVERRIDE NATIONALISM

Paris CONTREPOINT in French No 48 [Autumn 84], pp 23-27

[Article by Louis Leprince Ringuet of the Academie Francaise: "Is a European Political Union Necessary?"<sup>1</sup>]

[Text] The choice of the title "Is a European Political Union Necessary?" was not accidental. Actually, in a few months, all the citizens of the Community will go to the polls to elect the members of the European Parliament by universal suffrage. It is the second time in our history that such an election has taken place, five years after the first election. It is therefore the proper time to reflect upon the future of our Western continent.

A few years ago, I already recalled that in the course of recent centuries, our European countries had won an almost absolute monopoly over the scientific discoveries and magnificent achievements of state-of-the-art technology: steam, with all its applications to railroads and ships; electricity, since the first Volta battery to the infinite variety of machines and motors; electromagnetic waves, with Maxwell, Hertz and Marconi; the countless syntheses of chemistry; aviation; nuclear energy, with Becquerel, Pierre and Marie Curie, Rutherford, Chadwick, Frederic and Irene Joliot, Enrico Fermi; biology and medicine. If our countries have enjoyed exceptional prestige and influence, it is mainly because of these accomplishments that combine the rational method with a creative imagination of great vitality.

At the present time, the prestige and influence of our European countries have declined considerably. There is talk of decadence. One can read terrible phrases in the most serious and best-informed reports, that of the Institute of International Relations, and especially, the recent document presented to the European Parliament at its request by Michel Albert, former planning commissioner, and James Ball, director of the London Business School. What are the conclusions of these studies? Forceful outbursts, without a doubt:

"The beginnings of decadence have the golden mildness of the first days of autumn, but winter and evil are there."

"Instead of facing the future, one capriciously seeks refuge in the present."

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<sup>1</sup> Speech by Louis Leprince-Ringuet to the Institute on 25 October 1983.

"Europe -- an aging Europe in a world increasingly young -- is getting fat and yielding to fatalistic languor. It worries too much to find hope but not enough to rouse itself."

"Our old nations act like a bourgeois family gathered around an endangered inheritance."

"Confronted with the new forces launched by the new industrial countries seeking to conquer the future, Europe seems mired in the past and afflicted with senility."

"An old woman suddenly in trouble, Europe is selling off its jewels to preserve its standing."

And the most disturbing of all: "Europe is outwardly flourishing but eaten up by cancer. Our shop windows are magnificent. We look as if we had just come back from vacation, but metastasis is fast at work."

What is behind these outbursts so unusual in diplomatic language? First of all, the recognition, as an obvious fact, of an interdependency, a solidarity between our West European countries. The same way of life, the same respect for human rights, the same conception of democracy, without counting all manner of ties woven by a long history over the course of centuries. That interdependency is felt more and more and yet, beset by crisis, each one went his own way.

Several of our countries tried, in fact, to organize an industrial recovery policy and the attempt ended in failure each time. Great Britain in 1973, Italy, the Federal Republic of Germany in 1978 and 1979, and France in 1974 and 1981, tried to revive their growth separately. In every case, such experiments were self-mutilating and amputated the very growth they proposed to develop. In 1979, the German revival caused a record number of French cars exported. Likewise, in 1981 and 1982, the French recovery saw a massive increase in the sale of German cars.

This lack of solidarity is found in the absence of any common policy. On the one hand, one tries by often hypocritical means to set national standards, to establish rampant protectionism contrary to the spirit of Community treaties. Furthermore, there is no partnership for the big modern enterprises, for the most advanced techniques. One always cites the accomplishment of the airbus and the Ariane rocket launcher and one is quite right to do so, for these are marvelous achievements that involve some 30 European enterprises each, but they are exceptions. In the fields of electronics and data processing, for communications technology, there is talk of the defeat of Europe and self-destruction as a result of the "every-man-for-himself" policy.

The matter of the Poitiers customs video tape recorders certainly enchanted our humorists, but there also, Europe lost an opportunity to unite, whence a delay of several years for us. As Michel Albert said, "Three years, a mere sigh for government agencies which prosper and keep their files under their arms, but an eternity for this avant-garde industry." For the Siberian gas pipeline, despite a remarkable similarity in views, the EEC countries involved dealt with

the USSR on purely national bases, which naturally weakened their bargaining potential.

Then there is the feudal nature of public markets. One is definitely dealing with a real feudal system because these markets -- involving weapons and telecommunications -- are generally closed. In every country, they are reserved for national suppliers. Competition is not brought into play although state-of-the-art technologies and vast sums, amounting to billions of francs, are involved. The same is true of the fast trains. In Germany, they are moving, not toward the TGV [high-speed trains], but toward monorails with electromagnetic suspension. By the year 2000, all these trains will probably stop at the national borders.

Following this brief summary of missing solidarity, let us try to paint the picture of common orientations. During the 25 years of exceptional growth, we have acquired habits of comfort and safety in all our European countries. The dogma of a continuing increase in purchasing power, that of preserving advantages acquired, constitute formidable checks on the adaptation needed for the long period of crisis. We had created and developed institutions without peer in the world, even in the United States: A whole set of social welfare systems, as designed, requires high growth in order to function. In times of crisis, the increase in wages and social benefits, which is faster than the growth of wealth produced, leads to debt, the impossibility of investing and finally, to unemployment.

Another irritating similarity among Europeans linked to this social aspect -- and one that is currently unfavorable -- is the extreme rigidity of work and wages. In Japan and the United States, there is much greater flexibility in work schedules, wages, vacations, hiring, and layoffs, either in terms of the results of business or needs. This rigidity results in a disturbing increase in public finances. We are very far behind the Americans and the Japanese, for whom the share of such expenditures is below 35 percent of their national product. In the EEC, we exceed 50 percent, the champions being Italy and France. It is the welfare state that protects us, secures our retirement, at an ever higher cost, that helps corporatism to satisfy its appetite, that supports failing businesses and maintains outmoded structures. Consequently, the deficits of public agencies, carried over to the gross national product, have increased nine times in 15 years. But then -- and all our countries feel this in varying degrees -- this attitude of meeting immediate needs truly strangles future possibilities: Investment, research and employment suffer from constantly increasing fiscal and parafiscal pressure.

The result of this policy of immediate consumption and disunity: For the past ten years, Europe, which had become a homeland of full employment, is the only developed region in the world not to have created any jobs. Rather, it has even lost 3 million, while the United States has created 15 million! One could generally point to the economic structures of Europe, with the consequences of unemployment on the deterioration of the civic spirit of workers, for example. This is definitely an aging Europe in a world growing younger.

It would appear that through community actions, with the increasing underlying effectiveness, one could remedy the situation provided there is greater flexibility of working and wage conditions, an investment in vigorous businesses and the development of advanced technologies on a European scale. Millions of jobs could thus be regained. This European union, called for by the first European Council in December 1974, cannot be purely economic. It necessarily requires a political component.

For a long time, it has been felt that any action is partially political. The Lome agreements, with more than 60 countries in Africa, the Caribbean and the Pacific, are mainly of this type. The same is true of commercial agreements between countries in the Mediterranean, which seek increased security in the region. The attitude toward Spain and Portugal is guided by similar considerations, since we must help these young democrats to live, to find their place, without falling back on the authoritarian structures of yore. The North-South dialogue, East-West relations also present political aspects. We have seen the Euro-Arab economic dialogue halted for over a year by the problem of Palestinian participation.

The Community is also trying to gradually draw up common positions in the field of international policy, as in the case of Afghanistan, the Malvinas and Poland. A mechanism of information and consultation, the European Political Cooperation, the CPE, has been in operation since 1970.

But there has been serious concern growing for several years. Our security cannot depend on the United States indefinitely. One can no longer count on the nuclear umbrella that has protected us since the war. Europe is in a bad position between the two big blocs and the Soviet SS20's constitute a formidable threat. Nearly 1,000 nuclear hydrogen warheads, 150 kilotons each (ten times the Hiroshima bomb) are pointed at European vital centers and their precision amounts to a few hundred meters. We must take control of the protection of our territory, while remaining closely allied with our allies. We must build the European pillar of Atlantic defense.

All this requires a political union and time is not in our favor. We have seen that to date, our nations have preferred, as Jacques Boninot writes, the certainties of national independence to the uncertainties of integration, even though they have enjoyed the greatest heterogeneity of political, economic, military and cultural conditions and interests. One hesitates to yield any part of one's national prerogatives to a community.

But events are fast on our heels. Our rulers know this. Proposals are already being advanced in the Council of Ministers, the European Parliament, within movements brought about by the situation. Particularly in the European movement, study groups have worked seriously and with continuity, stepping up investigations the sharing of views. In the European Parliament, an official commission has developed a proposal defining the organic institutions to be founded. It has obtained on its proposals a vote favorable to the Assembly that is highly significant of a constructive will. And yet, all this requires considerable effort to materialize.

Without upsetting treaties (which would require a great deal of time but be necessary), can we not begin with the establishment in the European Council of a permanent political secretariat? The European Council would handle economic aspects through its usual channel of the EEC and political problems would be taken up and studied by the permanent secretariat, the European Parliament being a privileged institution for the discussion of proposals. At the outset, it would therefore be all chiefs of state and heads of government who, through their consensus, would make political decisions. Gradually, a more integrated organization would come about, but we must begin rapidly. All this requires a serious effort on the part of our rulers and government agencies little willing to delegate part of their prerogatives or to include their political, monetary, economic and social orientations in a sufficiently coherent framework.

At the present time, the European Parliament has inadequate powers, except for the budget. In the legislative field, it has but an advisory role. A proposed regulation or directive comes from the Commission and is presented to the Council before going through Parliament, but it is the Council that decides. However, Parliament has already gained a certain authority, particularly in the field of political cooperation. Its opinions are heard more than they once were. Would it not then be desirable for it to be brought into decisions and not simply consulted? For there to be a joint decision by the Council and Parliament? If there should be disagreement between the two, one might envisage a procedure of concertation.

The picture I have just painted seems rather gloomy. We have been too spoiled, too pushed since 1950 toward a comfortable, selfish materialism. The current period is opening our eyes to indispensable solidarity. Our fellow citizens are beginning to see the true problems on which our future depends. They must be well- and widely informed. I trust their reaction. More and more, they are interested in European construction. Only that can enable us to right our course, expand our enterprises, restore our nations' credit. The world, with its violence, its contradictions, its explosive instability, needs Europe's wisdom in order to gain more freedom, more "conviviality," more respect for human beings, more peace. And for its balance, Europe needs a vigorous, optimistic, hard-working, imaginative France, a France generous in keeping with its historic tradition. That is our grand mission at the close of this century.

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## SEARCH FOR EUROPEAN POLITICAL COOPERATION

Paris CONTREPOINT in French No 48 [Autumn 84], pp 29-38

[Article by Rene Chiroux, professor of public law, honorary dean of the Clermont-Ferrand School of Law: "Political Cooperation: An Instrument of European Construction"]

[Text] On 17 July 1979, by virtue of her status as senior member, Louise Weiss opened in Strasbourg the first session of European Parliament elected by direct universal suffrage and, speaking to "the elected officials of Europe," paid homage to Victor Hugo, who in 1849 told Europeans gathering together at the Peace Congress: "You will still have many differences to solve, interests to debate and challenges to resolve, but do you know what you will put in the place of the men of arms, cannons, lances, pikes and swords? You will place a little pine box that you will call the 'ballot box'."

With her vast culture, Weiss then painted a broad fresco of European history: Europe under Charlemagne, Karl der Grosse, the Middle Ages, the Renaissance, with Shakespeare and Grotius: "May glory, great glory, come to Grotius, a citizen of our Holland, the internationally recognized father of human rights!" Europe of the Enlightenment: "Glory to Voltaire, the defender of Calas and the Chevalier de la Barre! Glory to Kant, the Konigsberg philosopher, who put order into our metaphysics! And glory to Goethe of our Germany, whose name has become a synonym of the culture we must perpetuate in order to forget that we are mortal!" Europe of the French Revolution, that of the 19th century with Karl Marx, Ferdinand de Lesseps. Europe of the 20th century, that of missed opportunities with Gustave Stresemann and Aristide Briand. And finally, new Europe, the Europe of hope, with Paul Valery, Richard de Coudenhove-Kalergi, Robert Schuman and Jean Monnet, that of the Franco-German reconciliation with Konrad Adenauer and General de Gaulle.

This penetrating tableau, painted by the lamented Louise Weiss, leads us to the European community organized starting in 1950 and the three European communities that would be successively created: ECSC [European Coal and Steel Community], the EEC and Euratom (and merged in 1965).

These communities constitute an original legal framework and, in a word, one unique in international society.



The European communities are definitely international, intergovernmental organizations, but the independence of their institutions vis-a-vis the different states, their autonomy in the creation of Community law, the direct relations of Community organs with private parties, distinguishes them from them. By virtue of their institutional system (majority decisions, popular election of European Parliament), the communities are much more than a confederation without therefore being a federation. They do not in fact have the competence to determine their relations with the ten member states and, more precisely, the communities have an allocated competence established by treaties and to which they must confine themselves. The Luxembourg Court of Justice used, to qualify the legal nature of the communities, a neutral term, that of "common public power" (decision of 14 December 1978).

Community practice followed for a quarter of a century has led to an increasing role of the communities. The Luxembourg Court of Justice has contributed to it by its dynamic conception of the "implicit powers" of the communities. Treaties between member states have recognized new competencies on financial matters of the European Parliament and, in application of the document of 20 September 1976 (ratified by member states), this Parliament is now democratically designated. "Europe of the Europeans" was born and the "Pact of Europeans" will be renewed from 14 to 17 June, the dates of the second European Parliament elections.

Actually, Europe is at a crossroads. The continuation of European construction presumes the implementation of a political Europe, completing the economic Europe. The mechanisms of political cooperation must be cautiously set up and that is what has been underway for the past several years with the establishment of competent bodies. But above all, one must find a European political will that is indispensable to the construction of an authentic Europe, the urgency of which no longer needs to be demonstrated. Simone Veil recently said: "The Europe of the EEC is an island of freedom. Rising fanaticism, the development of totalitarianisms have so far spared it. And let the new dictatorships not make us forget the old ones. In this domain, everlastingness is far from being a certainty."

#### I. Slow Establishment of European Political Cooperation

The competence of the communities is confined to matters of an economic nature and it is therefore only gradually and not without reticence that political problems have been taken up on a European scale.

There have been blunders. Our partners would have been better advised to take into consideration the proposals of General de Gaulle at the Paris summit conference (11 February 1961) "in order to seek out suitable ways of organizing closer political cooperation," along with the ingenious Fouchet Plan proposed by France and that was quite summarily discarded.

Political cooperation did not truly begin until the summit conference in the Hague (1-2 December 1969), at which Georges Pompidou, elected president of the French Republic in June, raised the Gaullist veto to the British entry into the EEC. Actually, three organs are now in charge of political cooperation: the

Council of Ministers of Foreign Affairs, the European Council and the European Parliament. Cooperation in the first two cases takes place outside the framework of treaties and in the third, on their fringes.

Conference of ministers of foreign affairs in charge of political cooperation, the permanent organ of political cooperation:

The Hague summit conference (1969) entrusted ministers of foreign affairs with the task "of studying the best way of making progress in the field of political unification, the field of expansion."

The result was the first report of the ministers passed in Luxembourg (27 October 1970), according to which the governments of The Six decided to cooperate on foreign policy "through regular consultations, coordination of views, and conciliation of positions and, if possible, common actions."

The meetings were to take place on three levels: the political committee (made up of the political directors of the six ministries of Foreign Affairs); the conference of ministers of foreign affairs (twice yearly); and the meeting of chiefs of state and heads of government.

The second report (Paris summit conference, 6 October 1972) provided that the conference of ministers of foreign affairs should be held four times a year. The third report (Copenhagen summit conference, 23 October 1973) perfected the system. The latter is in fact a compromise. Political cooperation was to develop in areas other than those of the Community institutions, but the competencies of the latter would not be affected. The result was to completely separate the activities of political cooperation from those of the Community.

The political cooperation meetings would be planned by the minister of foreign affairs acting as president and would be held in the capital of that member state (rather than in Brussels). The commission would not be invited to the meetings, except when the work "would have effects on Community activities."

Since that time, the system has been substantially improved and, in the light of the report adopted by the London European Council (13 October 1982), the conference has taken place in the following manner:

1 -- The conference meets at least five times a year (four times officially, once semi-officially) in the country of the presiding officer. But the meeting can take place in Brussels if the ministers of foreign affairs are meeting there for a Council session. The commission attends all meetings and Parliament is kept informed of work, as we shall see.

2 -- The chairmanship is aided by a quasi-autonomous secretariat, actually a small team of officials assigned by the preceding and following chairmanships. These officials continue to be subordinate to their own national ministries of Foreign Affairs and are included in their embassy's personnel in the capital of the country of the chairman. However, they are directly available to the office of chairman, which can also use the embassies of the Ten in the capitals of member states, as well as embassies in third countries and permanent

representations to international organizations. The chairmanship has thus become the spokesman for The Ten in their relations with the international community.

3 -- Finally, it should be noted that the meetings of the conference are carefully planned by the political committee, which meets before every ministerial meeting and which can even be convoked, in the case of crisis, within 48 hours, at the request of three member nations. The committee has also set up 12 working groups on the main issues of international relations. A specialized group is constituted by the "European correspondents" of the ten Foreign Affairs ministries and mainly handles organizational problems.

During their Venlo meeting in Limburg (May 1981), the ministers of foreign affairs concluded that matters of security (with the exception of defense policy) would henceforth be part of political cooperation, whose competence has expanded over the years. The same decision was made in Stuttgart (in June 1983) by an organ to which we shall now turn, the European Council.

European Council, supreme organ of political cooperation:

Let there be no doubt about it: Political cooperation took a decisive step when, as a result of a fortunate coincidence, Helmut Schmidt (16 May 1974) and Valéry Giscard d'Estaing (19 May 1974) came to lead the FRG and the French Republic at the same time. Among the important decisions of the Paris summit conference (9-10 December 1974), one should remember that the Nine decided to meet three times a year in European Council. The summit conferences were thus institutionalized, the competency of the Council was tended to Community affairs and political cooperation and, to use the expression of Giancolo Olmi, "a bridge was built between the two activities."

The first meeting of the European Council took place in Dublin on 10 and 11 March 1975 under the leadership of Liam Cosgrave, prime minister of Ireland.

The Council is the highest instance of political cooperation instituted outside the treaties. Its legal nature remains hybrid: It is both a council of ministers at the level of chiefs of state and heads of government and an intergovernmental organ of coordination.

The European Council has intervened in major international affairs and we shall give a few examples.

Obviously, we shall begin with the Middle East and the famous Declaration of Venice (12-13 June 1980), at which two clear positions were assumed: "the need to implement the right to existence and security of all nations in the region, including Israel"; "justice for all peoples, which implies recognition of the legitimate rights of the Palestinian people." The Council also wanted action to be taken and contacts made with the different sides. In the dramatic Lebanese affair, the Council has always sided in favor of restoration of the authority of the legal government of Lebanon over the entire territory and the European Council discreetly condemned the "Peace in Galilee" operation by wanting the withdrawal of foreign troops from Lebanon and by asking the PLO to "defend

its cause by peaceful means" (Brussels meeting, 28-29 June 1982). Along the same lines, the Council asked the two superpowers not to enflame, through their intervention, the conflict between Iraq and Iran. The Euro-Arab dialogue will have to be resumed one day and the Council will then be the normal interlocutor of the League of Arab States.

The Council harshly condemned the Soviet intervention in Afghanistan and recommended a return to the status of neutrality. Lord Carrington submitted to the Soviet Government (July 1981) the idea of a two-phase conference in the course of which the means of realizing that objective would be sought.

The same vigilance was exercised regarding Poland, with the European Council recalling (Dublin meeting, 19-30 November 1979) the scope of the final document of the Helsinki Conference and asking the communities to aid the Polish people. The European Council in Brussels (29-30 March 1982), despite Greece's reservations, emphasized that the Polish situation "affected" the relations of the Ten with Poland and with the USSR, which bears definite responsibility for the situation.

Finally, one should recall that at the time of the Argentine aggression against the Falkland Islands (2 April 1982), Great Britain's partners manifested obvious solidarity with it.

Without a doubt, it is difficult for Europe to speak with a single voice, which would reinforce its authority in international bodies, and this must be deplored. At least one must not deny the progress made by the European Council in recent years, progress that has been timid indeed, but aimed in the right direction.

European Parliament: Democratic Conscience of Europe

It is by virtue of its bylaws and with the benevolence -- not to say complicity -- of the commission and Council that Parliament has intervened in political cooperation.

Since 1973, the acting chairmanship, within the framework of the conference of ministers of foreign affairs in charge of political cooperation, makes a report to the European Parliament once a year on progress in political cooperation. In accordance with its bylaws, an annual debate on the subject is organized by the European Parliament.

The acting chairmanship of the European Council also addresses a report to the European Parliament. Margaret Thatcher introduced a new element by making a personal and symbolic visit to Strasbourg (December 1981) and speaking before the European Parliament. It will be interesting to see whether the acting chairman (January-June 1984), Francois Mitterrand (who does not have access to French Parliament) will speak before the Strasbourg Parliament.

The chairmanship of the Conference of Ministers of Foreign Affairs can be questioned by members of the European Parliament (since the Paris summit conference of December 1974), either through written questions, oral questions with or without debate or at the question time instituted after the British came to Strasbourg.

Since 1975, a colloquium has taken place after every meeting of the ministers of foreign affairs between the acting chairman of the Conference and the Political Commission of the European Parliament. On 14 November 1981, at the prompting of Simone Veil, the ministers of foreign affairs of the Ten held a meeting in Strasbourg with the Expanded Bureau of the European Parliament.

Dario Antoniozzi's report on the role of the European Parliament in its relations with the European Council (25 November 1981) made it possible to take note of the progress made and the role played by the European Parliament in international political cooperation. It was before that democratic body that President Anwar El Sadat spoke, with the ardent conviction of a man of good will, in February 1981.

It would take too long to draw up a list of the subjects discussed by the European Parliament and one must be content with a few significant examples: action in favor of ACP (African, Caribbean, Pacific) countries and the desire of seeing an overall Mediterranean policy defined. The European Parliament condemned the Soviet intervention of Afghanistan, a flagrant act of aggression against an "independent, sovereign state," and made the USSR responsible "for the grave consequences of its action on the policy of detente." For European Parliament members, "the principles of detente are neither divisible nor limited to certain geographic regions."

Likewise, the European Parliament, in defending freedoms threatened throughout the world, has demonstrated that it is the worthy heir of a democratic parliamentary tradition firmly rooted in the members of the Community. In 1977, a joint declaration to the Council, the Commission and Parliament emphasized the importance that should be paid "to respect for fundamental freedoms such as they result from the constitutions of the member states and the European convention on human rights and fundamental freedoms." The European Parliament rejected the dictatorial regime in Greece from 1967 to 1974, the military action engaged in Turkey in September 1981. It condemned apartheid in South Africa, discrimination against dissidents and the ethical and religious minorities in the USSR. It laments repression in Chile and the dictatorial regime in Guatemala. It recommended the boycotting of the Moscow Olympic Games and the organization of the World Cup of Soccer in Argentina. In the area of human rights, the European Parliament ignores geographical or ideological borders and must be congratulated for this.

But is it not necessary to bring law into line with fact, to revise the treaties and institute a European Union? That is the goal of the proposal presented by an informed European, Altiero Spinelli (leader of the so-called "Crocodile Group"), one adopted in principle by the European Parliament (14 September 1983). It is a matter of modifying relations between institutions and of expanding the competency of the Union beyond the current gains of the communities (PAC [Common Agricultural Policy]), social and regional policies, political cooperation, the SME [European Monetary System]. The Union would then receive immediate competencies for the political and economic aspects of security. Only the European Council, ruling unanimously, could confer specific responsibilities on the Union: arms supplies or sales, defense policies, disarmament. A new Messine Conference is needed to ensure the relaunching of

Europe. But do Europeans feel the need for it? It is time, going beyond institutional aspects, to take up the basic problems of European construction.

## II. European Will: Condition of European Political Cooperation

Historical vicissitudes, the two world wars, botched decolonization, the technological revolution and the demographic explosion in the Third World have combined to lead to the domination of the two military and economic super-powers and the ascension of great nations on the continental or subcontinental scale (China, India, Brazil, Indonesia, for example).

In this new world, Europe occupies a secondary rank. It is absent from the great discussions -- those in Geneva, for example -- at which the two super-powers negotiate without regard for the Europeans. It was to the United States of America that NATO appealed in 1979 to ensure its security, thanks to the Pershing missiles, confronted with the Soviet military danger. The diagnosis is easy to make: Except for France (and, to a lesser extent, Great Britain) West Europe has not been able to organize its own security since 1945 by making adequate defense efforts by itself.

In the future, Europe must better affirm its identity through common action, through the establishment of European defense, reflecting on its role in the Free World.

Europe to be built:

The communities may present a positive record, but the action undertaken has lacked energy and ambition. The inhabitants of Europe do not have the feeling of the usefulness of European construction in their daily life because they do not have the impression of participating in a great undertaking. Opportunities to provide the proof have been missed. Following the trauma of World War II, was it not necessary to create a psychological shock? Some politicians in France (Robert Schuman, Jean Monnet) and elsewhere (particularly Winston Churchill, Alcide de Gasperi, Konrad Adenauer) thought so, but it was not easy to come to an understanding to propose the suitable institutional structures. Perhaps the Europeans would then have accepted the sacrifices of sovereignty that are now so difficult and becoming moreso, because for many of our fellow citizens or European friends, Europe is not indispensable. At least they think it is not.

The 1973 crisis, following the Yom Kippur war, could have been an opportunity for European nations to manifest their solidarity. On the contrary, the egocentricity of nations was exacerbated and a Community response to the crisis was not even envisaged. The creation of a social Europe is sometimes brought up, but no study has been made in depth. The press relates regrettable incidents occurring on the occasion of the arrival in France of products from other Community countries. Does this encourage an optimistic view of European cooperation?

European elections alone should give rise to debate by making a vast corps of voters sensitive to the problems of Europe. The 1979 vote did not respond to

hopes totally, despite a rate of participation generally satisfactory for such an election. On the eve of the June 1984 elections, beyond the legitimate domestic policy concerns, one must defend the construction of an economic Europe with better performance, one capable of responding to the technological and world competition, a Europe of increased social well-being, a political Europe and finally, one more integrated and capable of ensuring its own defense.

Priority: European Defense

The European Union (to use the expression of the Spinelli proposal) will remain incomplete as long as it does not have a common defense policy within the Atlantic Alliance. This presumes (and, in our opinion, the communities could take up the subject through the angle of industrial policy) a standardization and even a co-production of conventional weapons. One must repeat: The strength of conventional weapons determines the threshold of use of tactical nuclear weapons. Thus, Europe would be more responsible for its own security and the deterrent capacity of the Atlantic Alliance would be strengthened.

General Rogers, commander in chief of NATO, whose exceptional competence and wisdom are well-known, has repeated warned Europeans about the need to step up their conventional potential. Speaking in December 1983 to the "Eurogroup," General Rogers said that the increase in defense spending should rapidly go from 3 to 4 percent.

The European communities should also look at two essential problems:

- 1) protection of the southern flank of the Atlantic Alliance. The future of relations between the communities and Turkey is of exceptional importance to security, given the increasing instability of the Middle East and Central Asia.
- 2) security of Europe's supplies. Europe must react against the threat of the USSR getting around the West's defenses, especially by sea. Most of the raw materials going to Community nations are shipped around the Cape of Good Hope, the eastern Atlantic, areas beyond the protection of the Atlantic Alliance. Particular interest must therefore be paid to Europe's maritime communications and ensure that there will be free circulation on the high seas outside the protection of NATO.

Political cooperation must first of all make it possible to face European security realistically and effectively, without underestimating difficulties. In particular, for France, it will be a matter of modifying certain principles on which our defense is based. General de Gaulle had the great merit of providing France with the means for its self-defense. But defense must be adapted to current needs and the leaders of the RPR have understood this well. President Francois Mitterrand has particular interest in the problems of European defense and it would be fortunate if his current presidency of the European Council were to lead to progress in this area, which is truly most delicate. How, in fact, is one to organize a European defense while maintaining indispensable ties with the Atlantic Alliance (since the American nuclear shield remains the essential guarantee), provide a European nuclear defense

when one of the member states, the FRG, continues to be subjected to anachronistic restrictions on nuclear weapons, or even a European defense before a political Europe is achieved? The argument is a sound one: Establishing a political Europe presumes that the Europeans (the Europe of the Ten today, of the Twelve in the future) have first agreed on building a common future. The defense of Europe is also the defense of the values embodied by the Old Continent.

#### Europe's Place in International Society

Can there be a "European Europe"? That is undoubtedly the desire, albeit unconscious or poorly expressed, of many inhabitants of the Old Continent: a Europe affirming its identity, conscious and proud of its own values. A Europe rejecting Soviet totalitarianism, protecting itself from the cultural and economic imperialism of the United States, asserting itself as the "third path." Unfortunately, one must come back to reality -- that is, the bipolarization of international society, emerging less from the Yalta Conference than from the weakness of democracies after World War II. Winston Churchill, with his exceptional lucidity, drew the conclusion from the end of World War II, which had seen the victory of the Western nations, but also the affirmation of Soviet imperialism, entitling the last volume of his "Memoirs" "Triumph and Tragedy" and giving it the following theme: "How the great democracies triumphed and therefore found themselves able to recommence the foolishness that had so nearly cost them their lives."

Thus was fulfilled the prophecy of Alexis de Tocqueville, who in 1834 concluded the first part of "Democracy in America" by saying that: "To reach his goal, the American relies upon personal interest and allows the form and reason of individual to act without directing them. The Russian tends to concentrate all the power of society in one man. The principal means of action of the one is freedom; of the other, servitude. Their point of departure is different and their paths diverse. Nevertheless, each one seems summoned by a secret design of Providence to hold in his hands the destiny of half of the world one day."

European Europe would be a neutralized Europe and one would arrive at what Dean Charles Zorgbibe very pertinently calls "the Finlandization of Europe." It would be a disarmed Europe placed between two blocs, a Europe that would have lost its decision-making power and would play a weak, even nonexistent, role in the evolution of international society. Europe must choose its camp and the latter can only be the Free World, alongside the great American democracy.

But Europe must affirm its cohesion and unity in order to be a respected and heeded partner in the Free World; at stake is the interest of that Free World. It is up to Europe to make the great moves, to develop its ties with the Third World (the veritable stakes of the future), to revive the Euro-Arab dialogue (as we have already suggested), to present a united front in the great international negotiations, particularly at the summit conferences of the industrialized countries, not hesitating to stand up to the United States and Japan. Europe, a loyal but autonomous ally, demanding to be treated with regard by the Free World partners. That is what we must expect and even demand of European construction.



The first task is therefore to define common solutions to the great problems. Could Europe not have come to agreement on the Lebanese crisis and propose its own solution, independently of the great superpowers? Such was not the case and the Italian minister of foreign affairs even criticized the intervention, truly unfortunately, of France in Balbeck (17 November 1983), this on the very day when President Mitterrand was going to Venice to meet with President Bettino Craxi!

The world needs Europe. France needs Europe, but our country must approach this new phase of European construction with a solid economy and currency. The errors made since 1981 have weakened our position in Europe, even if certain corrective measures have been made and if the protectionist temptation seems to have been warded off. The incoherence of our foreign policy has sown doubt about our real intentions. General de Gaulle noted, at the time of the conclusion of the Rome Treaty under the Fourth Republic (let us never forget the lesson) that a weak France would be further diminished in the European assembly. For a revived France, European construction is an inestimable chance and a great hope. Do we French have the firm will to engage France on the path toward recovery?

At a time when the second campaign is beginning for the European Parliament elections, how is one not to evoke Thomas Mann, who, at the time of the great Franco-German dream illustrated by Briand and Streseman, was writing his magnificent work "The Magic Mountain" and wondering about the future of European construction. If it is achieved, Europe may then continue to provide its message of hope and freedom. Or we shall witness the failure of Europe and its irresistible decline, and Thomas Mann described the Europeans of the 21st century as "a group of intelligent, elegant, arrogant individuals, but gesticulating on the magic mountain of their illusions."

Shall we Europeans have the courage to bely that sad prophecy?

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## PROBLEMS IN SPAIN'S NEGOTIATIONS WITH EEC

Paris CONTREPOINT in French No 48 [Autumn 84], pp 39-43

[Article by Jean-Pierre Castellani, agrege in Spanish, assistant lecturer at the University of Tours: "Spain-EEC: A Difficult Marriage"]

[Text] The year 1984 marks a particularly important phase in Spain's long march toward Europe. Since January, France has occupied the six-month presidency of Community Institutions. It is therefore with a socialist president and his government that Spanish authorities must negotiate their country's membership in the EEC. It so happens that since December 1981, Spain has also been headed by a socialist team led by Felipe Gonzalez. The political conditions seem to exist to facilitate contacts and bring views closer together.

And yet, for the past year, the different summit conferences of ministers and presidents of the ten countries now making up the EEC have ended in failure. In June 1983, the Stuttgart meeting, aimed at finding a common agrarian policy, was marked by France's violent opposition to Spain's entry into the EEC. Despite a harsh ultimatum from Felipe Gonzalez, the Athens summit conference in December 1983 scarcely obtained better results. In February 1984 in Brussels, the summit conference of the European Council of chiefs of state, the EEC government, confirmed that after 27 years of existence, the EEC was above all a society of interests whose most recent arrivals -- in this case, Mrs Thatcher's Great Britain -- were not the least turbulent.

For Spain, however, the Brussels meeting extended the commitments made by France to the French-Spanish summit conference in Rambouillet in February. A schedule for the gradual integration of Spain was drafted and Mitterrand promised repeatedly to abide by it. The EEC pledged to terminate negotiations with Spain before 30 September 1984 in order to enable the different European parliaments to approve this expansion of the EEC in the course of 1985 and to begin the integration process on 1 January 1986. Mitterrand solemnly declared on that occasion that "I want Europe to welcome Spain and Portugal without delay. No one has the right to turn his back on history."

These affirmations were confirmed by Minister of Agriculture Rocard in Brussels on 9 May and 15 May by Roland Dumas, minister of relations with the EEC. It would therefore appear that for France, there is awareness of the need to

step up negotiations in the very interest of our country. Dumas said in Montpellier on 11 May, while speaking before the conference of the Mediterranean regions of the EEC, that "the transition period for fruits and vegetables will be 10 years. A permanent structure to oversee the market will be set up in order, in case of any failure to respect the rules set forth, to bring a safeguard clause into play within 24 hours. Schedules will be set up in common agreement. French industrialists must know that beyond the Pyrenees, there is a market with outlets, production and jobs."

This clearly signifies that there is respect for the Spaniards, but while taking all precautions in order to defend national interests, spreading out over ten years the integration of the Spanish economy into the Common Market. For their part, the Spanish do not want to enter under just any conditions. Manuel Martin, secretary of state for European affairs, stated on 4 May: "Our government refuses to enter the EEC hastily and on just any conditions." Everyone is familiar with De Gaulle's famous phrase: "I want England completely naked." Spanish officials quite rightly want to avoid being hurt by conditions too hastily agreed to. One can understand their concern when one reads the stormy statements of a Francois Guillaume before the market gardeners and nurserymen of western France on 16 May: "The threat posed by Spain to this type of production must be compared with another recent example: that of the Lorraine iron and steel producers facing competitors such as Korea." To compare our Iberian neighbors with Korea is perhaps not the best way to welcome them into the European community.

The European Parliament elections in June should, on the contrary, initiate a substantive debate on the construction of Europe, its difficulties, its hopes and also reflection on the case of Spain, totally exemplary, reflection going far beyond demagogic rhetoric. An information effort is needed to explain to the French the complex elements of a problem that cannot be resolved by a formula or any categorical defense.

The Rome Treaty of 1957 brought six countries (the Federal Republic of Germany, Belgium, France, Italy, Luxembourg and Holland) together within the EEC. One must know whether it is merely a customs union with all the marathon negotiations between partners anxious to protect their national interests due to the free circulation of products inside a truly common market or whether, in a more ambitious manner, Europe is trying to set up a real common economic policy that can make it the greatest commercial power in the world. In short, the choice is between a narrow Europe of technocrats fighting over compensatory sums, systems of protection and guarantee, decreasing reimbursements or added-value taxes, and a Europe that would find its political and economic unity beyond the technical and administrative difficulties inherent in this type of attempt.

The problem of Spain, as in the case of England and Greece in the past, stems from its late entry into this market already organized without it, in an energy crisis period that forces industries into dramatic reorganizations. For Spain, the entry into the EEC represents a double victory: recognition by the outside world that it has finally become a full democracy. Negotiations to bring Spain into the Common Market began as early as 1962 when Franco

still headed the country as an absolute master and, in 1970, the Preferential Agreement with the EEC marked a beginning of cautious integration of the Spanish economy into the European market. Following the death of General Franco in 1975, that movement accelerated with increasing urgency on the part of Spain and ever more obvious reticence on the part of the European partners. France began to defend its producers of fruit, vegetables and wines, while the Finns feared a drop in exports to Spain, and so on.

It could also be a matter of an economic victory that would mark the end of French protectionism and isolationism so detrimental to the development and modernization of the country. Excluded from the Marshall Plan in 1948 and the EEC in 1957, Spain will have waited until 1986 to enter at last a Europe to which it is naturally linked. By virtue of its double Atlantic and Mediterranean shores, the richness of its agriculture, its industrial potential that makes it the 10th-ranking industrial power in the world since 1970, Spain has an undeniably European vocation. The markets of Latin America or the countries of Islam -- these two old dreams long attached to the history of Spain -- cannot rival with the immense possibilities of the European market. Economically speaking, Spain is a European nation. Some 31 percent of its imports and 45 percent of its exports were with the EEC in 1982. A recent poll shows that 50 percent of all Spaniards favor membership in the EEC, 5 percent are opposed and 17 percent say they are indifferent.

A rapid examination of economic relations between France and Spain proves that the two countries have an interest in developing their trade. France is the best customer of Spain. While Spain's trade balance shows a deficit on the whole, it shows a surplus with France. That surplus amounted in 1983 to some 104,403,000,000 pesetas, or nearly 6 billion francs. Since 1974, France has been the top market for Spanish exports. Since 1983, France has occupied first place in foreign investments in Spain, with a total direct investment of 29,396,000,000 pesetas, or nearly 550 million francs. This presumes 18.6 percent of foreign capital alongside the Americans, Swiss and Germans. Some 100 of the top 400 French businesses are established on the Iberian peninsula and there are nearly 1,000 Spanish companies with French capital. Spain imports cars, machinery, iron and steel products and grain. It sells us fruits and vegetables and chemical products. In several sectors, the interests of the two economies compete: iron and steel, agriculture, shipbuilding, fishing. The Spaniards have recently begun to export cars to us as a result of the establishment on their soil of French builders such as Renault and PSA.

It is obvious that any expansion of the EEC to a new member -- from six to nine in 1973 with the arrival of Great Britain, Ireland and Denmark, then to ten with the entry of Greece in 1981 -- implies both the appearance on the so-called common scene of a rival and a market. This poses intracommunity and extracommunity problems. The development of a common agricultural budget creates tensions between the continental countries of the EEC and Great Britain. Spain's integration along with its agriculture (in a period of reorganization: 17 percent of the active population in 1983 compared with 49 percent in 1950) gives rise to fears among its partners whose agriculture shows a surplus, as in the case of France or Italy. To date, due to preferential agreements, protectionist barriers have protected Spanish industry.

On the whole, one can say that the EEC countries -- France in particular -- want to eliminate such protection in order to sell their most competitive products, while protecting their own for their farmers, who would be in danger if certain types of Spanish agricultural products should suddenly invade the market. The Spaniards would gain in the case of fruits and vegetables, wine and olive oil, but would lose in the case of milk, butter and meat.

Whence the delicate current negotiations concerning transition periods that would establish subtly differentiated phases between these different products. Contrary to a commonly-held idea, not all Spanish agriculture would gain by entry into the EEC and not all its industry would lose.

The matter is all the more complicated because this arrival of Spanish agriculture comes at a time when the market is already experiencing a grave crisis. The inequalities and imbalances between production of northern and southern Europe are well-known. Spain's membership further upsets an already uncertain balance between industrial and agricultural products. Most subsidies to the agricultural sector go to continental agriculture (grain, livestock and milk) of central and northern Europe and the smallest share to the Mediterranean countries: France, Greece, Italy (fruits, vegetables and oil). The sudden entry of Spain and Portugal would further diminish the size of cake, especially since Great Britain is also asking for compensation, given the small volume of its agricultural revenue. If one adds to this the fact that 36 percent of Spain's agricultural imports are from the United States, 13 percent from Argentina and 9 percent from Brazil, compared with 10 percent from the EEC, then with the benefit of favorable world prices, one can understand the relentless effort to defend interests on both sides. And the biased solidarity of countries such as Germany, desirous both of buying less expensive Spanish products and increasing their industrial exports. The fact nevertheless remains that it is difficult for the Spaniards to sign commitments to a slow integration phase of four to six years for agricultural products and a rapid integration phase of three years for industrial products.

Finally, these difficulties do not appear to be insurmountable and the Irish presidency following that of France starting in July should conclude a movement that seems irreversible. Spain's integration into Europe can only engender a modernization, competitiveness and better adaptation of the European and Spanish economies. This is the only way to settle the problem of excess agricultural capacities and industrial archaism once and for all. It can only be a boost to the spirit of initiative, competition and scientific and technological research. European products will more easily be found on the Spanish market, but this will improve their quality, further labor legislation with the role played by European courts in the area of workers' rights, and will make social security protection more uniform. Spanish employers will have the same possibilities of laying off workers as their European colleagues and work discipline will be strengthened (schedules, absenteeism).

Of course, grave problems will face steel, textiles, shoes, shipbuilding and fishing. But Spain cannot afford the luxury or whim of missing the train to Europe after having missed the great industrial revolution of the 19th century. If it fails, Spain will be forced toward the Third World, and it is no longer in the interest of European countries to exclude it in that fashion.

Spain's membership in the Common Market and the likely confirmation of its integration into NATO through a referendum in 1985 are decisive elements in the history of the constitution of a Europe that is free politically, strong militarily and powerful economically.

Given the challenge of Marxism, this is the only realistic, courageous and effective response. The gloomy, petty, selfish campaign our country has just experienced for elections to the European Parliament demonstrates that the French political world is shut up in its ludicrous internal questions that turn their back on the real facts and the decisive choices that must soon be made.

The success of European construction depends on more information on the facts of the problems posed. The matter of expanding the Community through the integration of our immediate neighbors in the southwest is therefore fundamental.

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## EFFECTS OF EEC, NATO, WEU ON DEFENSE POLICIES

Paris CONTREPOINT in French No 48 [Autumn 84] pp 45-51

[Article by Alain Plantey, member of the Institute, former French ambassador, government adviser: "Europe's Security"]

[Text] The question of Europe's security periodically becomes acute and rouses emotion. This is the case at the present time, both because major international conferences have and will be called upon to deliberate nuclear and conventional weapons installed on the continent and because the coming Community elections cause political staffs to define the programs they will be presenting to public opinion, particularly in France.

However, it is actually a fundamental, perennial problem. All impartial observers agree that the future of democracies is encumbered by their vulnerabilities and dependencies. We are far from the time when their preponderance and their rivalries made the old European nations the world's arbiters. World War II completed the result of World War I and marked the end of an era in the history of mankind.

It is a fact that for half a century, the centers of gravity and decision-making in world affairs have shifted. Two great powers determine the strategic fate of the world. Situated on a level of strength, wealth and potential effectively preventing any of the peoples of historical Europe from equaling them, they are doomed to antagonism while knowing that nuclear war would be their ruin. The rejection of open confrontation causes them to practice oblique strategies in all theaters of operation, to seek to master crises and therefore, assume active responsibility for their allies, whether willing or unwilling.

Given these great systems carried along by proselytic ideologies and tending toward the accomplishment of new purposes, the question is posed whether the European nations, divided between these two camps, can have vocations and ambitions of their own, defend their prosperity and their sovereignty. For the nations of West Europe, this question comes at the worst possible time. In fact, they are trying to build a political and economic unit in which responsibilities are no longer completely national, but in which they have not thereby become European. The Community process that at this stage disarms them is taking place in a period of great diplomatic tension.

This contradiction between the world geopolitical situation and the European Continent's own potentialities is perhaps circumstantial, but it is possible that it is a structural and definitive phenomenon. The fact is that some European nations are among those which claim to issue opinions and recommendations on contemporary events in the world when they are not even capable of deciding their fate and when they allow the debate on nuclear weapons and balances to take place over their heads! However aware of world instability and of its own weakness and vulnerability, West Europe allows the threats to accumulate without reacting. Every year, the problem of its security therefore becomes more serious.

Politicians, newsmen and diplomats allude to the "defense of Europe" as a refuge of their uncertainties or indecision whenever the formidable confrontation with other civilizations shapes up, whenever they become aware of the risks run by the Western world and the doubt looming over its real security. But one hears them ramble on and on about Europe when that entity has not even been defined as a political, economic or cultural substratum of a will for defense. Actually, now able to be viewed as the continent running from the Atlantic to the Urals, Murmansk to Gibraltar, Scotland to the Bosphorus, Europe is an imprecise geopolitical notion for which no people has the same feeling, although the act of defense and the act of war must be based on a will for affirmation -- that is, the definition of a space to protect, whether geographic, legal or cultural.

Moreover, the concept of Europe is not the same in any international organization. The Council of Europe, which includes neutral countries, embraces a reality different from that of the communities, which are themselves expanding. The latter cannot be confused with the West European Union (WEU), a defense pact. Many more specialized organizations have yet another composition. Some major institutions such as the OECD [Organization for Economic Cooperation and Development] are no longer exclusively European. As for the communities, they respond to an intellectual and sectorial plan rather than to the desire to face up to risks shared by all. Lacking the ability to respond rapidly to aggression and to draft a strategic plan, they live in liberalism and peace as if they were absolutes, without having any united, responsible political power able to draw upon the collective sacrifice of their peoples. Generally, the diplomatic or political cooperation they develop between their members and of which they boast is limited to statements, inasmuch as governments do not want to come to agreement on major commitments or sometimes even on common Platonic positions. This privileged system of relations has not become a decision-making process capable of facing crisis situations.

The Community experience is too often summed up in bilateral packages and series of disputes in which European diplomacy is gradually ensnared, with certain states losing the sense and exercise of their major responsibilities in the privileged frequentation of countries that cannot or will not assume any. Given the current state of treaties, one must therefore look elsewhere than in the communities -- members of which may practice neutrality -- for the concept of European defense. Actually, it is impossible to force a people to fight against its will. No European defense could be sought anywhere but in a pact expressly concluded for major risks. Such ties exist in West Europe.



An expression of the inclusion of West Europe in the American nuclear guarantee, the Atlantic Alliance will soon be a third of a century old. While it has survived the revision of all strategic concepts motivated by postwar technological developments in the field of weaponry, it is nevertheless constantly weakened by a divergency of wills and of defense programs of the main powers forming it and whose unanimity is required for any fundamental decision. The European nations have begun to distrust the United States, fearing that for that great power, their defense is but a diplomatic or military phase in the escalation of possible confrontations, even that the Americans are no longer determined to run major risks given the growing mass of hostile forces encamped on the continent itself. They forget too rapidly that through countless commitments, starting with the stationing of their troops on the continent, the United States guarantees them of sufficient determination to support them.

The risk that the Alliance creates for defense of the West lies elsewhere. It lies in the selfishness, passiveness and neutrality of the peoples it protects, in the diffusion of an illusory, simplistic pacifism that will in the end put off even the most faithful of allies. The "decoupling" feared between America and Europe could result from the irresponsible, inharmonious conduct of the Europeans. While it is difficult to believe that the European pillar of the West can be built 30 years after the beginning of the cold war, one can nevertheless hope that the peoples involved will be capable of regaining confidence in themselves and credit abroad. An unintegrated power, France has the right and duty to discuss this directly with the United States.

It is true that another alliance exists on our continent through the expansion to Germany and Italy in 1954 of the Brussels Treaty that since 1948 had linked France, England and the Benelux countries. Specifically European and involving more precise obligations than those of the Atlantic Pact and better defined executive and parliamentary institutions, the West European Union is an important structural element in the European diplomatic balance. But today, its putting to rest only confirms how much any integration, whether economic or military, reduces the will for identity and therefore of affirmation of the nations involved. Priority given to common market, trade and wealth objectives in Western concepts has demobilized peoples whose history had roused them from indifference and carried into acts of courage and combat, sometimes fratricidal. But it has not brought them sufficiently close together to create the feeling of a common destiny.

Lending itself to true European cooperation in the field of active and passive defense concepts and in that of conventional weapons, the UEO remains a legally precise framework but one that is practically empty. Satisfied with a soft stand, the European unit comes to fear being armed, to lose all capacity for common defense, to put up with the protection and tutelage of others. Periodically taken up again, the proposal to relaunch this institution, even based on a reduction in the controls it is supposed to exercise over the weapons of its members, runs into the priority which most of the members give to Atlantic solidarities. Proof can be found in the failure of all provisions tending toward the creation of a European Security Council, even as a framework for negotiations or reflection.

But in the constantly renewed dialectic of the sword and shield, one lesson prevails: All ostentation is temporary. Any strongplace will be attacked, every Maginot line open to breaching, any shelter liable to be emptied of the very content it seeks to preserve. The precise threats looming over Europe go beyond the continent itself, extending outside the zone of the alliances, and are sometimes even culminated there. They range beyond the purely military field, weakening the internal capacity for resistance of each country.

Actually, even when they are as coherent as the Common Market or NATO, the major international units do not create new historical responsibilities as long as they are not borne along by a community of values capable of mobilizing them. It is dangerous for them to substitute their irresponsibility for the mission of government, of prime importance when it is a matter of its own fate. History reveals that the great federations of peoples have succeeded one another. Their solidity and duration have been those, not of man, but of the unifying principle. The USSR does not escape the problem either. The stability of the principles of the communist system itself and its personnel has not prevented either a break in its monolithic nature since the Chinese secession or its growing sensitivity to pressures from the outside world. While forces of regrouping continue to exist around the central Russian corps, the whole is mainly maintained by force and suffers from tensions that ideological discipline cannot erase. Perhaps with reflection, this analysis could offer a strategy to the West.

Actually, while one may not be able to integrate West Europe for its own defense, one still has to consider it in its component parts, especially the main ones: a number of nations of a major historical and cultural vocation.

In the absence of any strategic concept common to European peoples and their leaders, it is up to national authorities to draft those to be applied by each country, to agree by diplomatic means on a community of views and agreement on means in the vast domain of their defense. If there is no European defense, there can and must be a defense of Europe. No outside tutelage, no protection, even nuclear, no alliance should divert Western governments from this higher mission, whatever the difficulties and uncertainties. It is regrettable that this responsibility is not exercised or even perceived in several countries at the level of public opinion or leaders. On the contrary, the elites are crisscrossed by neutralist or "alternative" trends that tend to demobilize energies, weaken defense, cause alliances to collapse and spread indifference or fear.

An old warring and often dominating nation, France is also a modern state which, thanks to General de Gaulle, has resumed its full prerogatives and responsibilities in the field of defense and has made itself capable of assuming them, particularly by endowing nuclear weapons making it one of the great military powers in the world and the leading nuclear power in West Europe.

It owes the fact that it has to date been protected from the temptation of surrender and capitulation to the governments of the Fifth Republic and especially those of General de Gaulle, which emphasized the highly national nature of the defense effort, whatever the cost and limitations it may imply.

Possessing diverse and sophisticated nuclear weapons systems as well as conventional land, sea and air units well-equipped with advanced, modern arms, France is an autonomous protagonist in European, even world, strategies. Other nations, particularly the USSR, are forced to take this independent system of defense into consideration in their evaluations, plans and dealings. But they will obviously do so only as long as French governments remain on the level of that prerogative, that is, remain worthy of the national responsibility that goes with it. The power, the right, to be heard presumes the ability to express oneself. Freedom of acting and choosing presumes the will to do so. The scope of military means worsens the consequences of indecision, hesitation, error and surrender. Deterrence, nuclear or not, is not exercised from the weak to the strong. Rather, it is based on an adequate military, financial, political and moral strength or else it is not taken into account by the adversary.

Because of its geographic, military and economic position, France cannot isolate its defense from its environment. Its national deterrence cannot limit its effects to its territory if it deems forced to intervene outside its borders. A serious question is then posed, that of the definition of outside or contractual commitments (Atlantic Alliance, WEU Pact, Franco-German Treaty, African agreements) or factual commitments (Mediterranean, Near East). Naturally evolutive, this definition must remain vague in the eyes of the adversary in order to force that adversary to be cautious.

On the European level, France's geographic position and the possession of nuclear weapons offers it the choice of countries or group of countries in which it may become involved. If the concept of defense remains national, even when it is a question of West Europe, it can be common to several sovereign states. No one doubts that the prime vocation of France is in Europe, but it must coincide with the interests of other European nations. Bilateral negotiations must clarify these points. Actually, there is no possible defense of France with a diplomatic and probably military commitment in Europe, just as there can be no defense of West Europe without the commitment of France.

Europe's defense will be that which France wants and can have. For the purpose of collective salvation, French diplomacy has the right and the duty to use all the means at its disposal, particularly the economic solidarity created by European communities. In so doing, just as by making its influence on the Security Council and its credit in the Third World available, France helps the European unit, even if the latter does not follow it and even if its independence rouses jealousy, concern and fear, partly justified by its aggressive past. Its allies, in the absence of any major solidarity and ruling out imminent peril, prefer to weaken it rather than help it in all fields. It must therefore not expect commiseration of generosity if its positions deteriorate, not only militarily, but in the economic, financial and technological fields. The law of give and take will be applied even if it can finally diminish its defense potential.

Facing the threat of war, defense implies the coalition of forces able to balance those of the adversary and the division of its field to weaken the threat which it creates and increase its vulnerabilities. But this tactic is

not sufficient. It must rest on a powerful defense will. Security is a function of the threat of an effective response. This observation is true in political and military arts, just as in diplomatic negotiations. With respect to a potential aggressor, precautionary and warning measures are not enough. Defense rests on the certainty of an effective response -- that is, it is subordinate to factors of organization, information and communication making it plausible and effective. This credibility presumes that two conditions exist: confidence to be spread in its own camp in order to ward off the peril and face up to it; and the deterrence of the opposing camp -- that is, not only the availability of the means to respond, but the will to use them. It is the fruit of moral worth, patriotic loyalty, political courage, the strength of one's convictions and feelings, virtues which, gathered together, make it possible to face great international risks. To be plausible, the defense of Europe therefore implies an attitude of calm, resolute firmness within the Western camp.

It is understandable that European democracies would perceive their environment as heavy with threats. Many of these threats are born of their lack of foresight and their "politeness," meaning, actually, a great lack of awareness of the responsibilities they bear for the destiny of mankind. Instead of being content with fearful and selfish passiveness, they should note that no power, however massive, is safe from domestic or foreign turbulence. Every state has its own limitations, fragilities, failings. In a world that for a long time to come will be dangerous, the respect that a people inspires in others depends on the ratio of forces it establishes before them in all fields -- that is, its armed forces, its wealth, its discipline, its psychological and moral solidity, and also the legitimacy and ability of its leaders. It is the very vulnerabilities of the European states, their divisions, their uncertainties, their surrender that should worry them because they destroy at the root any common defense will and reduce it to the rank of diplomatic stakes and perhaps of theaters of military operations.

It is truly frightful that they should accept without reacting a situation of stability that quite simply results from the fear, among the main protagonists, that any change in the ratio of force on the continent will lead to a nuclear confrontation.

Dispersion and the lack of resolution are also sources of weakness. Europe must have a hard core, resulting not from occasional or scattered coalitions, but from solid, well-motivated alliances, assured by good French diplomacy, especially toward Germany within the framework of the 1963 Treaty and through the development of cooperation on strategy, technology and arms. In West Europe, awareness of the possibilities and chances of both autonomous and coherent action throughout the present period of crisis justifies a direct understanding among the different states involved in the defense of the Western world. If it succeeds, one can bet that the rest will follow.

While being based on the essentially national nature of atomic weapons and the accompanying doctrine, France's diplomacy and strategy must therefore be combined with those of its allies -- that is, negotiated with complete sovereignty.

There is no lack of meetings and institutions for this undertaking, so that one can have a clearer notion of the vulnerabilities of Europe and the means to respond to it, particularly within the West European Union for the concepts and the communities for their economic and social application.

And yet, France must want it: The defense of Europe will be all the more uncertain if the will and the unity of the country become so. Many signs lead one to fear that France has been contaminated by demobilization and the retreat that are gradually disarming other peoples, to whom any surrender or compromise is preferable to the slightest confrontation. Polls indicate that while 95 percent of the French place defense at the top of the list of government functions, 75 percent would prefer to negotiate rather than fight and use nuclear weapons.

This result is not peremptory, but it is disturbing because it reveals the appearance of a process of disengagement or disinformation encouraged from abroad. This shift in opinion must be compared with the grave uncertainty reigning as to the possibility for the country in the midst of an economic crisis of continuing the financial, technological and human effort needed to maintain its defense potential, especially when outside obligations and intervention scatter its forces and strategy.

For France, the security of Europe must remain an absolute priority, justifying the diplomatic and military vigilance of its governments and information going to public opinion. In all countries and especially in Europe, defense is the fruit of a national effort. It is up to the political power to keep a precise awareness of that responsibility alive and well in the French people.

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## INDUSTRIAL STRATEGY: RESEARCH, DEVELOPMENT, TRADE

Paris CONTREPOINT in French No 48 [Autumn 84] pp 53-67

[Article by Jean-Louis Mucchielli,<sup>1</sup> assistant lecturer at the University of Aix-Marseille III, lecturer at the Institute of Political Studies of Paris: "Confronting World Challenges, What Industrial Strategy for Europe?"]

[Text] In January 1984, Europe had 400,000 more jobseekers than it had had a month previously, meaning over 500 additional unemployed persons every hour. At the present time, 11.5 percent of the active population is unemployed, representing over 12.8 million Europeans.

Going far beyond the problem of inflation, unemployment has become the population's biggest fear. It is confusedly associated with industrial changes, which then become the explanation of all evils and their causes are blamed on the outside world: Japan, Asia or the biggest fear of all, the computer. On this level, there has been no progress since the time when the Lyon textile workers broke the looms out of fear that "they" would steal their jobs.

This confusion, accentuated by a period of economic turbulence linked with the two oil crises, has prevented Europe from properly perceiving the profound structural changes that have come about in the past 20 years in the world economy. Behavior was therefore inappropriate and ill-suited to such changes.

Governments became overprotective. The Community continued trying to preserve an illusory consensus among countries that gradually retreated into themselves, participating more in the formation of a non-Europe<sup>2</sup> rather than the construction of the Common Market. This Europe so long desired by its founders gradually lost ground. Its role has declined in the world until, "between the 'first world' of America and Japan and the Third World, it now constitutes but the outskirts."<sup>3</sup>

If Europe and the Europeans want to emerge from the impasse, they must become aware of the nature and scope of the "world challenges" they must face. Perhaps then a new industrial strategy based on the competitiveness of all rather than the protection of each will be shaped.

## I. Rise of World Challenges

The current industrial transformation has its roots in the 1960's. It was during that decade and the following one that the rise in "world challenges" came about, gradually but inexorably. Today, they have not yet been faced by the Europeans.

These challenges are linked to the third technological revolution, the emergence of new industrialized countries and the spread of economic activities around the entire world.

### Third Technological Revolution

3 January 1983: TIME's man of the year making the front page: the personal computer. For two years, personal computers had been on the market for under 1,000 francs. Over a million of certain models have been sold. Specialized journals are increasing in number and new models are constantly coming on the market. Firms are involved in a bitter struggle to win a bigger share of the market, to the great delight of consumers. Lower prices seem on the horizon. Production growth rates reached 500 percent a year.

A new industry has been born. But above all, its applications affect all of society through the new possibilities of design, organization and production of industrial and service activities. The term "revolution" is definitely the right one to describe these overwhelming changes.

Although only recent, the revolution has its roots in the scientific transformations and innovations of the past 20 years affecting electric and electronic components. 1947: invention of the transistor. 1950: Semi-conductors used to transmit electric current begin to be mass produced in Santa Clara, California, a region now known as Silicon Valley. 1959: The "fleas" arrive! In other words, the first integrated circuits appear, with several transistors connected on the same silicon base. It thus became possible to manufacture completely transistorized products.

Starting in the 1960's, the race toward miniaturization spread, helped, among other things, by NASA's Apollo program. In 1972, man succeeded in imprinting electronic circuits in successive layers on silicon chips measuring a half millionth meter. Thus the first large-scale integrated circuits appeared, along with microprocessors: integrated circuit units that would handle and memorize information and be able to communicate it.

Hundreds of thousands of pieces of data can thus be stored on each of the chips. In the past ten years, the cost of manufacturing a transistor has been cut by 1,000; that of the fleas by 20. In 1976, Apple Computer launched its first personal computer. In less than 20 years, the earliest computers using tubes had been relegated to prehistory. Infinite production and marketing possibilities then opened up throughout the world.

At the beginning of the 1980's, use of the personal computer expanded to an ever more vast range of activities. In France, lacking the devices, new names ending in "ique" flourished: "bureaucratique" [office automation], "telematique" [computer communications], "robotique" [robots]. The latest: "mecatronique," defining the whole set of machine equipment used in the electronic computer field, to wit: remote-controlled machine tools, robots and their grouping in flexible workshops. The personal computer becomes the key element in the system. For their part, robots are experiencing growing skills and usage. From assembly to the planning of an entire production phase, they can drastically reduce all manufacturing costs.

Europe got off to a poor start in this revolution. In 1982, not one of the ten leading computer producers in the world was in the EEC. Eight were American and two Japanese. ICL, the leading European firm, was only in 13th place. As for the turnover of the five leading firms in the EEC combined, it did not total 1/20th of that of world leader IBM.

For the manufacture of electronic components and integrated circuits as well as for that of remote-control machine tools, the situations are similar. In the former case, five American firms and three Japanese dominate the market and only Philips stands out. In the latter case, out of the ten largest firms, the first four are Japanese, three more are American and finally, one German, one Italian and another Swiss firm manage to enter the list.

Thus, for the entire advanced electronics industry, Europe lags behind. The only exception is computer communications. But how long will the Europeans be able to withstand the death blows of the giants IBM and AT&T?

This situation is not without impact on Europe data processing equipment, its international trade in the sector and finally, its competitiveness.

Here, the equipment in robots and adaptable workshops of the EEC is pitiful compared with its rivals.

According to the OECD [Organization for Economic Cooperation and Development]<sup>4</sup> in 1982, there were about 15,000 robots in Japan, compared with 12,000 in the United States, 800 in Sweden and 2,050 in the four main European countries (FRG, Italy, France and Great Britain). When one compares these figures with the number of wage earners, Sweden leads with 10 robots for 10,000 workers, followed by Japan (6), the United States (1.6), the FRG (1.1), then Italy (0.9), France (0.7), and Great Britain (0.3).

For the adaptable workshops, between 1970 and 1980, Japan went from 1 to 33, the United States from 3 to 19, the FRG and France from 2 to 13 and 0 to 2 respectively.<sup>5</sup>

Commercial trade shows the same weakness. While in Japan, over 95 percent of the robots installed are made at home, the United States and Europe import over half of all those they use.<sup>6</sup> Actually, it is the whole category of electronics equipment trade that is in the red. In 1982, such trade for the EEC showed a deficit of 53 billion francs, while even for the United States and Japan, the



surplus was 125 billion and 218 billion francs respectively.<sup>7</sup> Prospects remain gloomy. One may note that it is particularly the "poor French and Italian performance and the weak results obtained by the British, particularly in the field of office automation and data processing" that hurt the Community figures so much.<sup>8</sup>

Not only is Europe left behind, but its technological dependency and industrial future are greatly mortgaged as a result. Competition may well end up between the Japanese and Americans on the Europeans' own market without their being able to take part!

#### Rise of New Industrialized Countries

Missing the start of new industries, Europe is also in difficulty regarding its traditional industries: those stemming from the first two industrial revolutions.

Old techniques used in textiles and iron and steel, but also in the shipyards or the automobile industry, are no longer competitive as a result of the cheap labor and new technologies used in some southern countries.

Here again, the world transformation of the industrial landscape was slow but inexorable. Here again, it took root beginning in the 1960's and expanded in the 1970's.

At the beginning of this period, an initial group of developing countries clearly stood out. Despite their heterogeneous nature, they shared at least five characteristics: more rapid per capita growth of their industrial production and GNP than that of the industrialized countries; an increase in industrial employment; a growing share of world exports of manufactured products; and finally, they all adopted development strategies during the 1960's that were aimed at the outside, mainly through policies of promoting exports.

According to the OECD,<sup>9</sup> during the 1970's, some one dozen countries responded to these criteria and were described as new industrialized countries (NPI). Four belong to Southeast Asia: Taiwan, Singapore, Hong Kong and South Korea; four to Latin America: Brazil and Mexico; while four more are in southern Europe: Spain, Portugal, Greece and Yugoslavia. Since that time, most of these last four countries have joined the group of industrialized countries.

But already, a second wave of new exporter countries is emerging. Sixteen more countries are involved.<sup>10</sup> Their exports of manufactured products have in recent years enjoyed rates of growth of over 13 percent a year, as well as annual totals exceeding 800 million francs each.

In this second wave, a large number of countries are on the periphery of the first new industrialized countries. Such is the case in Asia of the Philippines, Malaysia, Indonesia and in Latin America, of Chile, Peru and Uruguay! Others are certain countries in the Maghreb and insular economies such as Sri Lanka, Macao and Mauritius.

From a sectorial standpoint, exports mainly concentrated on certain products. Common consumer goods, they belonged to light industry, whose manufactured products required a great deal of relatively unskilled labor. In the 1960's, nearly 40 percent of all clothing imports from OECD countries came from the new industrialized countries. Over 30 percent of the shoes and travel articles and 15 percent of the electrical machinery and imported textiles have the same origin.

Gradually, however, the growing industrialization of the first new industrialized countries and the emergence of the second engendered and strengthened the thrust of their specialization. The former left behind the more common or semi-manufactured goods and specialized in finished products incorporating more skilled labor and technology.

In their exports, the share of machinery, electrical equipment and electronics increased. In 1977, Hong Kong became the leading world exporter of electronic toys, the third-ranking exporter of watches, the fourth of calculators.<sup>11</sup> The Japanese themselves received stiff competition in the manufacture of color television sets from a Korean firm (Samsung) and another Taiwan company (Tatung).

At the same time, another evolution took place in the heavy industries such as iron and steel and related sectors: the shipyards and automobile industry.

In 1981, steel production of all developing countries represented over a quarter of that of developed countries with a market economy. In 1960, the figure was only 9 percent. Among the biggest producers are Brazil, South Korea and Mexico, but also India and Communist China. Today, India's production exceeds that of Great Britain and the two Koreas combined produce more than France.

In general, the equipment, machinery and plants of these new producers are technologically much more advanced than those of Western countries. Consequently, the Pohang plant in South Korea can boast of the lowest production costs in the world. It operates at full capacity at a time when in Europe, only 54 percent of production capacities are utilized.

In this sector, the newest arrivals in the branch are the most competitive and the best equipped. For example, the new continuous casting techniques are used in over 50 percent of the production of new industrialized countries such as Brazil, Taiwan and South Korea, while they make up only 25 percent of the production of the United States or Great Britain.

Over a third of the production capacity of the EEC is over 20 years old. It is also technologically outdated and uses a large labor force, which is furthermore from two to five times more expensive than in the developing nations.

The same elements are found in the shipyards, where South Korea is beating production and competitiveness records. The same will undoubtedly be true in the

future in the automobile industry. In this industry, Japan has also shown the way, becoming the leading world producer in 1980 and exporting over 54 percent of its production. The new industrialized countries are following. In 1960, their production represented 2 percent of that of the industrialized countries. In 1980, it amounted to 9 percent and annual growth rates exceed 600 percent!<sup>12</sup>

#### Multinationalization of Production and Growing Interdependency of Economies

The emergence of the first two challenges has taken place within a growing interdependency of economies. This is true with respect to the trading of goods as well as exchanges of manpower, capital, technology and direct investments. This interdependency has definitively given a world dimension to all markets.

Thus, the opening of developed economies to trade in manufactured products greatly increased during the 1970's. At the beginning of this period, foreign trade represented 12.5 percent of these countries' domestic market. Ten years later, it has risen to 20 percent.<sup>13</sup> In addition, the weight of the developing countries in trade is growing and South-South commerce is developing as well.

This interdependency is also characterized by a growing internationalization of production. Firms are emphasizing their multinational strategy. Here again, there are different shifts.

The European, then Japanese multinationals, and finally, those in the new industrialized countries are successively outwitting the Americans. One of the major phenomena of the 1970's resides in this rebalancing of multinational firms.

In 1962, out of the top 100 multinational companies, 66 were American, 32 European and 2 Japanese.<sup>14</sup> In 1972, 53 were American, 38 European and 9 Japanese. Finally, in 1982, there were only 40 American firms, 36 European, but 11 Japanese, 2 Canadian and 6 other firms from developing countries.

The evolution in this classification definitely corresponds to the overall phenomenon: the relative weakening of the weight of American multinationals, the rise and then stagnation of the Europeans, and finally, the emergence and consolidation of the Japanese firms, followed by the appearance of Third World multinationals at the end of the period.<sup>15</sup>

These transformations led to overlapping investments among the Western countries. The United States has gradually become a country taking in foreign investments rather than a country investing abroad. Most of the European countries are experiencing the opposite trend: From host countries, they are also becoming investor countries.<sup>16</sup>

Japan is experiencing a different evolution. While its production is becoming largely international, its firms are mainly being set up in developing countries and they are not situated in Western countries, generally to get around customs barriers. On the other hand, their investments in developing nations

have a dual strategic dimension: to take maximum advantage of low labor costs in order to make there the parts and components and do the assembly of products that are very labor intensive, while exploiting to the maximum the new markets opening up in the more advanced countries.

In the automobile industry, for example, Japanese firms such as Nissan or Toyota already had over 38 automobile assembly plants in countries in Southeast Asia in 1979. The same is true of other industries such as textiles or electronics appealing to the general public. In the latter sector, Japanese firms have for several years been established in nearly all the new industrialized countries in the region.

Shifting down in all areas of production in which they no longer have a comparative advantage at home, these firms can thus continue to be competitive in the area of common products, preserve or increase their share of the market in the West or in developing countries. Finally, they can have enough investments and devote them to research and development in order to design top-of-the-line products, made this time at home. The thrust of their international investments is consequently in perfect agreement with that of their comparative advantages and their international specialization.

The Japanese firms have therefore been able to rapidly gain first place in a large number of sectors such as machinery, electrical construction, photography, clocks and watches, toys, textiles, automobiles and iron and steel. If the Americans have tried to follow by shifting to Latin America and Asia, the Europeans have become bogged down, falling further and further behind in terms of competitiveness and technological progress.

This investment thrust is also found in the new industrialized countries. Firms in South Korea, Taiwan, Hong Kong, Singapore, but also Brazil and Mexico are also becoming international in turn. Adopting the same strategy as the Japanese firms, they set up, in countries generally less well-developed than their own, textile production or small-scale electronics whose manufacture at home is no longer effective.

These firms invest mainly in their geographic zone. Those in the new industrialized Asian countries set up plants in Malaysia, Thailand, the Philippines, Indonesia or their respective countries. The same is true of the Latin American countries. The second wave of countries is helped by this influx of technology, often more suitable than that from the West and strengthening South-South commerce. The process of industrialization therefore becomes geocentric, spreading in successive shock waves. This phenomenon is particularly striking in Southeast Asia.

In 1980, the number of subsidiaries owned abroad by nearly 960 Third World firms was an estimated 2,000.<sup>17</sup> These ties are further strengthened by the existence of minority participation, cooperation agreements, joint ventures. This phenomenon is only beginning, and already Brazilian or Korean firms are investing outside their own zones, in Africa, the Middle East, even Europe. The Korean firm of Hyundai Group, among the leading shipyards and construction firms in the world, will not be an isolated case for long.

## II. What Industrial Strategy for Europe?

Industrial Europe must face these world challenges if it wants to survive. It must even launch its own challenges if it wants to take its place in the third technological revolution.

But it is not a simple task! One must first halt internal structural trends within the EEC such as deindustrialization or the deterioration in foreign trade as a whole. To do so, one must undeniably question the industrial policies heretofore followed by the European nations and often supported by the Community. Finally, new European strategies must be established by restoring the spirit of competitiveness, not only in the enterprises, but in the European people as a whole.

### Deindustrialization and Loss of Europe's Competitiveness

Deindustrialization is gradually weakening Europe, making it increasingly incapable of competing. It was long believed that the logic of development would lead to a postindustrial society specializing in services, leisure activities and communication. Industries would have been relegated to the peripheral world of less developed countries. Today, the limitations of such a vision are perceptible, first of all, because expansion of most services, whether a matter of banking, commercial or transport services, is linked to the vigor of industry itself. Furthermore, their productivity and competitiveness depend on industrial innovation. Second, industrial development in Japan and then the new industrialized countries has been accompanied by the development of their own networks of service, thus sweeping aside the dichotomic, naïve vision of a Northern specialization in services and Southern specialization in industry. Finally, without industrial vigor and foreign markets, the service sector creates few jobs. In fact, the increase in the tertiary sector in Europe has largely been incapable of absorbing losses of industrial jobs and the growth in the active population.

On the whole, the phenomenon of deindustrialization is characterized by three elements: a relative contraction in jobs and industrial production; a persistent weakening of international trade in manufactured products, thereby expressing increasing difficulty in finding competitiveness in the sector and in compensating for the flux in industrial imports by exports.<sup>18</sup>

Europe fulfills these three criteria. Beginning in the 1960's, industrial employment declined in the Community. It represented 42.2 percent of the active population in 1970 and 37.6 percent in 1977. During that time, the level of jobs was maintained in Japan and the United States.<sup>19</sup>

The structural evolution of employment in Europe corresponded to a great drop in industrial vigor. Between 1976 and 1981, growth in industrial production was only above 1 percent, compared with 3 percent in the United States and 5.5 percent in Japan.

The same process can be observed for investments. Representing 24 percent of the GNP of the Community in 1970, they fell to 20 percent in 1979. Manufacturing investments now represent only 3 percent of the GNP and according to

Community experts, "everything leads one to believe that they have ceased growing, while in Japan, they continue to rise"<sup>20</sup> and remain double those of the EEC.

In addition, there is great heterogeneity based on country and sector in the investment effort. Actually, in recent years, the FRG accounted for some 35 percent of the EEC manufacturing investment, while Italy, France and Great Britain combined totaled about 52 percent. Likewise, these investments are mainly in three sectors (40 percent): chemistry, transportation equipment and food products.

This general weakening carries over to the Community's foreign competitiveness. Its failings have already been noted in the electronics industry. Actually, the entire manufacturing sector is afflicted. As noted by a European Commission study<sup>21</sup>: "For the whole range of manufactured products, the EEC has lost ground compared with Japan and the United States.... It generally remains engaged in the exportation of a wide range of semi-finished industrial products, intermediate technology, and therefore operates on markets where its competitiveness regarding prices and innovation is henceforth threatened."

Community exports suffer from a relative lack of specialization and in addition, the latter is declining for products requiring advanced technology and skilled labor. Consequently, the "member states even specialized in types of production in which their main rivals are or will be the new industrial countries and not other developed nations."<sup>22</sup>

What is even more serious, the Community is losing its dominant position regarding capital goods. In 1964, this world market was dominated by the Community and the United States, which monopolized 44 and 33 percent of that market.<sup>23</sup> This enabled these two economic powers to generally impose their production structures on other countries. Since 1970, Japan has been on the scene. In 1981, it held 25 percent of the market for capital goods of the OECD, with the Community and the United States retaining 33 and 26 percent. "Japan now enjoys a situation permitting it to exercise growing influence on changes in production structures, at the expense of the United States and the EEC."<sup>24</sup>

The deterioration of the Community's position vis-a-vis capital goods affects nearly all categories of products, particularly electrical equipment, office machines, agricultural and industrial machinery and automobiles. These are products where Japan has obtained brilliant results.

Given these setbacks, "the only sectors in which the Community has been able to dominate world markets are food and agriculture, raw materials and energy products."<sup>25</sup> What a pinnacle for industrialized countries!

#### Industrial Europe in Past 27 Years: Living Dead?

On 25 March 1957 in the Capitol of Rome, the EEC was born in the form of a six-member Common Market. The gradual coming together of commercial and economic policies, the affirmation of free competition, people, capital and goods, a market of over 200 million individuals, should have provided European industry

with considerable assets. And yet, the opposite has occurred. Countless obstacles continue to hinder this free circulation and free competition within the EEC. Community projects and achievements in the field of industry have remained the exception. The source of these failures is to be sought at the European and national levels. It is the industrial policies themselves that must be questioned.

On the European level, industrial policy has very limited means and in addition, it has always been controlled by declining industries.

In 1982, out of the total European budget (134 billion francs), 60 percent of the spending was taken up by agriculture and only 2 percent was devoted to industry, energy, research and transportation. If the agricultural policy is the only true common policy, then one must measure its price! The rest of the Community efforts concentrate on policies of aid and support to declining industries: those of the first two industrial revolutions, such as textiles and iron and steel. These policies were and remain totally based on defensive strategies of protection vis-a-vis the outside.

This is also the case with the iron and steel policy, a sector in a crisis for many years and one that must face a major drop in world demand. In 1976, the Davignon plan of forming a cartel of European steel producers was set up. Its goal was to gradually reduce personnel and production. By dividing up unrefined steel production through European quotas, by establishing a minimum price for imports and by releasing different types of financial aid, it was hoped that producers would rationalize their manufacturing and reduce surplus capacities. On the contrary, however, internal dissension came to light and a number of countries or firms did not respect their quotas, such as Italy or the German firm of Klockner. Consequently, production continued to increase and the financial support of the Community helped maintain and increase existing production capacities long obsolete. Today, 9 years after the implementation of the plan, the European iron and steel industry is undoubtedly worse off than it was in 1976.

Comparable phenomena occurred in the textile industry. Here, Europe has tried to check imports from developing countries. Successive multifiber agreements were then negotiated between the EEC and some 33 developing countries. Growth in imports was limited to several products. This should in principle give European enterprises the time to modernize or convert.

Here again, results were the opposite of what was intended. Protection largely helped maintain uncompetitive enterprises. It also greatly developed import fraud. Out of the 20 percent of the domestic market supplied by imported products, over 7 percent involved fraudulent imports. Verification in the field of textiles thus becomes a priority in European customs control. Gradually, major means in resources and manpower are sacrificed to the administration of such a policy.

Throughout all this time, the forces of the world market have changed totally. The Americans and Japanese have rejuvenated that industry, with innovations in carbon or other fibers (Toray in Japan, Dupont de Nemours in the United States),

and while transforming their production processes in order to reduce the cost of commonplace products. In 1980, the United States became the Community's top textiles supplier. Multifiber agreements therefore appear to be a Maginot line! It is difficult to give the Americans the status of developing country!

Similar perverse effects appear in all other protected branches, such as the automobile or electronics industries.

Actually, the Community, like the nations themselves, has only yielded to what Jacques Lesourne calls the social oligopoly<sup>26</sup>: a kind of collection of lobbies that transfers to the political level problems it experiences and cannot resolve on the economic level. The more sectors experience difficulty and the more enterprises are ineffective, the more they organize as a counterpower in order to prevent the market's sanction and ensure their survival on the political level. This happens to the detriment of the Community as a whole and of the young sectors that are thus ignored or suffocated by taxes levied to shore up protected sectors.

At the base of the new industrial strategies then, one must first of all restore the effectiveness of the market mechanisms. States or the Community can intervene, but in relationship with but not in place of those mechanisms.

#### Future Strategy

The welfare state has failed everywhere. Enmired in macroeconomic imbalances and even expanding them, it has been unable to foresee or prepare for world structural changes. The so-called market myopia has been replaced by state blindness. The paroxysm was reached in France after 1981 and the negative effects on employment, the standard of living and industrial structures were only accentuated.

The goal must then be the disengagement of the state from production and particularly industrial production activities. But one must also restate the merits of its policies of transfers and redistribution. The state actually bears heavy responsibility for the poor adaptation of Europe in general to the third industrial revolution. By taxing agents or productive activities and transferring these resources to nonproductive activities and agents, it has largely helped reduce productivity and discourage effort. More generally, everywhere in the West, the redistribution of income has benefited wages and hurt the remuneration of capital and the risks taken by entrepreneurs. With the profitability of investments becoming poorer, those investments declined by themselves.

To reverse the trend is to promote investment, savings and work; to facilitate the mobility of men, ideas and capital in the national, European and world spaces.

Once again, in all Western countries, the state has promoted short-term objectives of well-being, disconnecting growth in purchasing power from economic effectiveness, subsidizing consumption and the credits linked to it. This system took the level of productivity as a "given" and thought only of promoting



higher and higher levels of consumption, while speaking of the naive and outmoded arrangement according to which demand would create, support and market the supply. But this policy of demand operates at the expense of supply, particularly of savings, the seed of investment. In Japan, social protection is less great and consumer credits less easy. Furthermore, savings remuneration is higher. Interest collected receive tax deductions, while in the West, interest paid on loans can be deducted. This fact sums up the fundamental difference in the two approaches. All these elements combine to engender greater individual savings and investment is then facilitated. Work is also rewarded inasmuch as, given the few consumer credits, it becomes necessary for and previous to any purchase of property. The supply thus creates its own demand and this under optimum conditions.

After reducing the distortions they themselves engendered in the economic system, states and their European emanations must adopt overall rather than sectorial policies based on incentives rather than directives. The goal must be to ensure the competitiveness of Europe. In this connection, it is not merely a matter of the competitiveness of agricultural, industrial or commercial enterprises alone, but rather, of every national unit which depends on the effectiveness of all organizations, from the system of education to the system of administration and including the system of social protection, so that the nation's fixed costs will not be a handicap in international competition. It is a valid objective for France<sup>27</sup> as well as for all Europe.

Based on this objective, certain overall Community strategies may appear:

#### Promoting Innovations and Research and Development

A competitive Europe must be based on its capacity to innovate. The prime actor in this framework is business. However, the state and the Community can and must create an environment favorable to its actions. Let us particularly mention the development of the potential of men engaging in research, as well as an improvement in intra-European exchanges in this field. Europe does not have enough research workers or financial means. Research and development spending in terms of percentage of the GNP is about 1.4 percent in the EEC, compared with 2.3 and 2.1 percent for the United States and Japan. The number of scientists and engineers working in research and development for every 100,000 inhabitants is 119 for the EEC, 280 for the United States and 361 for Japan. The consequences are logical: For every 100,000 inhabitants in 1980, the number of patents filed totaled 10.2 in the EEC, 16.2 in the United States and 32.6 in Japan! Here as elsewhere in economics, there is no miracle or fate!

Speaking more generally, the training of men and their level of education is of prime importance. Here again, Europe is behind.

In these different fields, many different types of action are possible. The financing of research programs involving European firms, such as the Community program ESPRIT (European Strategic Program of Research in Information Technology) adopted in 1982 by the Community Council, 50-percent co-financed by the latter and involving 12 European firms in research in state-of-the-art microelectronics, seems to provide hope.

However, governments as well as firms must avoid (or try to avoid) the mistakes of the past. For example, they may have been engendered by the drafting of European technical standards that could not be imposed on the international level, or untimely projects. Such is the case of the PAL and SECAM color television processes or the Philips V.2000 and the failure of Unidata, which would have combined the efforts of CII, Philips and Siemens in the manufacture of big computers whose design has been totally outstripped by the personal computer wave.<sup>28</sup>

#### Encouraging Winners, Allowing the Generation of Ideas

The young and recent of minicomputers shows that innovations emerge from the free flow of ideas through the establishment of small firms motivated by the attraction of consistent profit.

At the present time, no less than 250 manufacturers have gone after that fabulous personal computer market that means tens of billions of dollars in terms of turnover. World demand still exceeds all means of production.<sup>29</sup>

One must therefore allow this mechanism to develop normally, recognizing the privileged role of small and medium enterprises in innovation. They must be ensured maximum flexibility with respect to the utilization of human, financial and computer resources, eliminating the taxes linked to profits from these innovations. Taxing at the source in order later to create official organizations responsible for distributing credits based on technocratic standards is the last thing to do. In France, for example, at least 30 public organizations "handle" data processing<sup>30</sup> in the broadest sense of the word. Results need no commentary!

On the other hand, Europe undoubtedly needs two or three Silicon Valleys. One should recall that Apple Computer came out of that crucible. The grouping of small innovative enterprises in European geographical zones abounding in grey matter appears to be desirable. The problem of flexibility then arises again, for it is necessary to the creation and disappearance of enterprises -- signifying constant renewal of the industrial fabric.

#### Avoiding Practice of "National Champion," Encouraging Grouping and Outlets

Once the first innovations have come about, the most effective enterprises then encounter difficulties in developing ranges of products, exploiting them, prospecting for, obtaining and stabilizing market shares on the national and international level. In this stage of evolution of the branch, the European firms are also at a disadvantage compared with their Japanese or American competitors. They often fail before reaching the critical level for penetrating world markets.

Governments have too often tended to encourage the establishment of a "national champion," the sole representative of the nation in the sector involved and the object of all their favors. France specializes in this type of policy. National champions such as Thomson, Bull, CIT-Alcatel, and so on, follow one another and almost always fail. This is linked to two main reasons: First of

all, the government is a poor entrepreneur or detector of loopholes or the technologies of the future because it is subjected to all kinds of extra-economic pressures and its high administration has a very imperfect knowledge of the world market for each product. Consequently, there is very little reason why the national champion would be the best firm in the sector aided.

Finally, the very focus on a single firm tends to make the domestic market monopolistic. Furthermore, since the firm chosen is subsidized and protected from foreign competitors, there is no more incentive for it to innovate, reduce costs -- in a word, to become or remain competitive.

In order to enable firms to reach optimum size, they must have a European and not national approach. Community enterprises must be encouraged to cooperate or at least, not be prevented from doing so. Recent affairs concerning control of Grundig-Telefunken in particular indicate how far there is yet to go. Given the legal and economic obstacles encountered by the firms, one must not be surprised that they cooperate more easily with Japanese or American firms rather than among themselves. For example, it is symptomatic to note that since the establishment of the Common Market, no European transnational firm has been set up. Philips, Shell and Unilever, the only groups to be managed by teams of several countries, were organized before 1956.

Outside of the need to eliminate obstacles to European alliances, it may sometimes necessary to support emerging markets by big European programs in which the firms would be placed in competition between themselves.

If these few very general principles could take shape in the actions of the European Communities, then one may think that the European industrial space itself could take shape.

World industrial competition requires, as observed for Japan and the new industrialized countries, for countries and firms to practice a vigorous strategy in their specialization and international investments.

If Europe no longer wants to be left behind, it must adopt the same principle. Perhaps then its firms will invent the products of the future?

Today, within the framework of European elections, a new public debate is opening up. Let us hope that this will give rise to an agreement on the necessary changes in European society so that that society will not be a dead civilization at the dawn of the 21st century.

#### FOOTNOTES

1. Assistant lecturer at the University of Aix-Marseille III, lecturer at the Institute of Political Studies of Paris.
2. See M. Albert, "Un Pari Pour l'Europe," Editions du Seuil, 1983.

3. LE NOUVEL ECONOMISTE, "Le Japon, Allie Numero 1 de l'Amerique," 14 November 1983.
4. Data printed by ECONOMIE ET INDUSTRIE, September 1983, p 5.
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## FRENCH PARTICIPATION IN EUROPEAN MONETARY SYSTEM

Paris CONTREPOINT in French No 48 [Autumn 84] pp 69-72

[Article by Bernard Marois, professor at HEC [School of Advanced Commercial Studies] and the ISA [expansion unknown] and general secretary of the International Finance Club: "The Future of the European Monetary System"]

[Text] It was in December 1969 in the Hague, at the summit conference of heads of government of countries making up the European Economic Community that the expression "Monetary Union" was coined, a phrase destined to convey the clauses of the Rome Treaty concerning trade relations between members of the Common Market.

In the initial phase, that union resulted, after 2 years of groping about due to the collapse of the Bretton-Woods system (elimination of the convertibility of the dollar on 15 August 1971), in the formation of what would soon be called "the European monetary serpent," the first attempt at a monetary union on the scale of the EEC.

The effects of the oil crisis, the recent integration of three new members into the EEC (Great Britain, Ireland and Denmark) and the gradual weakening of the dollar helped destabilize Community monetary relations and as a result, the "monetary serpent." Furthermore, in the absence of a truly European "pivot," the system could not prevent the departure of the weaker currencies: first of all, the pound, in 1972; then the lira, in March 1973; and finally, after some hesitation, the French franc (1976), which had the effect of turning the serpent into a "mark zone." That is why the EEC ministers of finance decided, at the Bremen Conference (July 1978), to lay the foundations for a new and more balanced system that could effectively replace the defunct serpent.

## Operating Principles of the European Monetary System

Put into application on 13 March 1979, the European Monetary System (SME) is based on four elements:

The first: creation of the ECU (European Currency Unit), was aimed at making up for the main failing of the previously existing system, to wit, the absence of a European accounting unit. Henceforth, every EEC currency (except for the pound sterling<sup>1</sup>), is defined compared with the ECU, "the composite currency basket" based on the currencies of nations belonging to the system.<sup>2</sup> By way

of illustration, the French franc is now worth .1455 ECU (official parity). Based on these definitions, one deduces the bilateral franc-florin or franc-mark parities. Thus, since 21 March 1983, the central German mark-French franc rate has been set at 3.06 francs for 1 mark.

Also based on these central rates, one determines the lowest and ceiling rates applying to every bilateral relationship. Maximal margins of fluctuation are 2.25 percent (6 percent for the lira) and it is therefore easy to figure the lowest and highest rates of the franc compared with the mark. They are 2.99 and 3.13 respectively. From day to day, cash prices used on the exchange markets cannot go beyond this range (for example, on 29 February 1984, the mark was worth 3.08 francs). It is up to the Central Banks of the countries belonging to the system to do whatever is necessary to ensure that the national currency will actually remain within the range of fluctuation planned, lacking which it would be necessary to proceed to make a readjustment in parities with the devaluation of weaker currencies and the upward valuation of stronger currencies.

In order to ease the task of the Central Banks, there are "thresholds of divergency" indicating at what time the intervention of those banks in the foreign exchange markets becomes indispensable. For the French franc, that indicator is at 1.4 percent compared with the central rate.

However, this provision, provided by the founding fathers of the system, has been little respected by members of the system, which explains why the different readjustments that have had to be made since the creation of the SME have taken place on the spot, under the pressure of events and following the weekly closing of the foreign exchange markets.

Finally, the last arrangement of the SME: the possibility of resorting to Community "munitions" to protect a currency attacked by speculation. For this purpose, the system has been endowed with a European Monetary Cooperation Fund (FECOM) fed by the contributions of the different member countries, up to 20 percent of their official reserves (gold + foreign exchange). This fund can grant very short-term, short-term or medium-term credits to countries that would need them to defend their threatened currency.

#### Uneven Record

As conceived, the European Monetary System was to encourage greater stability of rates of exchange between EEC currencies. Although it has been necessary to make seven readjustments since its creation, the latter has nevertheless demonstrated a certain effectiveness, particularly given the enormous fluctuations which European currencies have experienced vis-a-vis the dollar or even the yen. This is a highly positive point.

On the other hand, one cannot deny certain difficulties in the practical application of Community mechanisms. On the one hand, the poor operation of the index of divergency (mentioned above) and, on the other hand, the prolonged absence of the pound sterling, which finally strengthened the weight of structurally strong currencies (German mark, the florin),<sup>3</sup> helped make parity

readjustments more and more difficult (particularly the latest, coming on 21 March 1983, gave rise to great tension between France and the Federal Republic of Germany). Furthermore, FECOM, which in principle is responsible for the issuance and management of the ECU, does not exist on its own.<sup>4</sup> Its conversion into the European Monetary Fund, endowed with more extensive powers, was put off indefinitely, which has had the effect of making the future of the ECU uncertain and of slowing its development as a Community currency.<sup>5</sup> In addition, contrary to what its creators had hoped, the European Monetary System has not been able to prevent a major scattering of economic policies followed by the member countries, with the corollary of the maintenance of or even increase in the inflation differentials between countries such as France and the Federal Republic of Germany, which has brought about a surge in parity readjustments (five between March 1981 and March 1983!), with the consequences one can easily imagine with respect to the credibility of the system. Finally, in the near future, the ECU should undergo several modifications in its composition. First of all, it will be necessary to restore a balance (in terms of weighting) between the strong and weak currencies. Next, new foreign exchange must be integrated: the Greek drachma and perhaps later, if these countries join the EEC, the Portuguese escudo and the Spanish peseta. It is thus clear that the presence of 12 countries with sometimes contradictory interests will not facilitate discussions concerning monetary Europe and will make possible readjustments of parities even more difficult.

#### France and the SME

What is the effect of the SME on France's economy? Whether certain politicians enamored of protectionism and an autarchic economy like it or not, this system has one great virtue: It promotes monetary discipline and thereby contributes to the fight against inflation that national drug par excellence. Actually, the obligation of maintaining semi-fixed rates of exchange (fluctuations are limited by the minimum and maximum rates) implies continuing efforts to restore the foreign balance of France, a sine qua non condition so that the franc may remain stable. In this connection, one can imagine what would have happened if the SME had not existed or if the franc had left the system. Our money would have fallen even more vis-a-vis the main currencies, thereby entailing, through higher prices for our imports (a substantial percentage of the latter corresponds to incompressible purchases<sup>6</sup>), a resurgence of inflation, itself the source of a new depreciation of our money.

However, one naturally cannot substitute a "virtuous" cycle for the "vicious" depreciation-inflation-depreciation cycle unless the French economy is capable of restoring the foreign balance (balance of current operations).<sup>7</sup> To do so, it is first of all important to preserve the competitiveness of our enterprises, reducing charges borne by them and facilitating the implementation of policies aimed at increasing their productivity (which requires new efforts on behalf of innovation and a loosening of existing administrative red tape). One must then pay greater attention to certain sectors that bring in foreign exchange such as tourism, transportation, financial services, technical cooperation, and so on. It is at that price that we shall be able to consolidate our current balance, a prime objective, if we want to continue to enjoy the favorable effects of the European Monetary System. In so doing, we shall be able to



stabilize the franc, which will help to eliminate imported inflation and therefore, limit the rise in prices.

In other words, the question facing us is not one of knowing whether the franc must remain in the SME or withdraw from it, but whether the whole group of French economic factors (enterprises, households, the government) are ready to fight in order to beat inflation once and for all. If so, France's participation in the European Monetary System, as an active member and maker of proposals, appears to be the best possible policy in the context of the current crisis.

In conclusion, I should like to outline future guidelines that should be followed to consolidate the SME. First of all, it would be highly desirable for Great Britain to join the system, provided that it gives the pound sterling greater margins of fluctuation (6 percent, like Italy, for example). Next, it is necessary to strengthen the powers of FECOM and give it the powers suited to a real European Monetary Fund, responsible for the issuance and management of an accounting unit, the ECU, now a complete currency<sup>8</sup> and used as a substitute for the dollar. In March, the European Monetary System celebrated its fifth anniversary. Let us wish it a long life, in the interest of Europe and therefore, of France.

#### FOOTNOTES

1. According to the British, the pound as an oil currency is extremely sensitive to variations in the price of oil, which makes it impossible to abide by Community rules on monetary matters.
2. Originally, the weighting adopted for the ECU were as follows: 33 percent for the German mark; 19.9 percent for the French franc; 13.3 percent for the pound sterling; 9.5 percent for the Italian lira; 10.5 percent for the florin; 9.6 percent for the Belgian-Luxembourg franc; 3.1 percent for the Danish crown; and 1.1 percent for the Irish lira, these figures supposedly representing the weight of each of the countries in the EEC (in terms of the GNP and commercial trade).
3. The German mark now represents 37 percent of the ECU and the florin 11 percent, while the share of the lira has fallen below 8 percent and that of the French franc is just above 16 percent (or less than half of the weight of the German mark).
4. FECOM now operates as a system of compensation between Central Banks of the EEC, its management being ensured based on the Bank of International Regulation, which sits in Bale (Switzerland).
5. Curiously enough, the ECU encounters growing interest on the part of the international banking community, which sees this "currency" as a means of protection against the exchange risk. However, lenders must remain persuaded of its durability.
6. Such as oil and raw materials, traditionally labeled in dollars.

7. The trade balance, considered as the predominant element in the foreign balance of a country, is but one particular element of it, however. Actually, one must add to it the balance of services (tourism, income from capital invested abroad, interests to pay to our creditors, and so on) and unilateral transfers, in order to obtain the "regular balance," which appears to be a much better instrument of measure of the foreign balance than the commercial balance.
8. Henceforth, the ECU will serve as a currency of denomination for Euro-issuances, syndicated loans or even purchaser credits. Certain French companies even use it to label internal transfers between European subsidiaries.

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## INTERNAL, EXTERNAL OBSTACLES TO UNION EXAMINED

Paris CONTREPOINT in French No 48 [Autumn 84] pp 73-79

[Article by Pierre Pascallon, professor at the School of Economics and Social Sciences of Clermont-Ferrand: "Europe or the Squaring of the Circle"]

[Text] Europe, a magical word. But above and beyond the word, that great affair for all those who have to build their lives in the twilight of a 20th century that confirms the long decline of the countries of the Old Continent, a long decline about which one wonders if it is not henceforth irreversible.

### I. Long Decline of Europe

Europe has been at the center of the world. Rather, Europe was the center of the world. The cradle of the great philosophies and the first industrial revolution, Europe indeed completely dominated the world of the 18th and especially 19th century. Its power resided -- a mystery of history -- in the alliance of three superiorities linked together: superiority of its population, whose growth was then about double that of the rest of the world; superiority of its technique, the daughter of science and "reason"; and finally, superiority of its resources: By an extraordinary accident, Europe in the 19th century found in its soil the fundamental resources of the industrial economy at that time, particularly iron and coal.

But if the 19th century was therefore completely Europe's century and more especially, the century of Victorian Great Britain,<sup>1</sup> the same was not true of the 20th century. It is true that in the course of this 20th century, prosperity and power have seemed to abandon our European shores and shift, first to the United States and today to Japan.

### A. Decline of Europe to the Benefit of United States

The fact that Europe lost its world supremacy to the United States during the first half of the 20th century does not require any lengthy historical proof.

We know the destruction wreaked on the soil of our old continent by World War I, the rise in power and thrust of Germany in particular having been broken by the hostilities and the preeminence of England threatened by a war during which London had to halt a large share of its international financial activities. One will recall the costly, desperate efforts made by England in the

1920's to try to restore its supremacy, the supremacy of its sterling pound in particular confronted with the emergence of the economic and monetary power of Uncle Sam. But it was futile. In September 1931, the British Government decided to suspend the 1925 gold standard and the sterling pound was separated from gold. It was the end of the "Pax Britannica" in a unipolar world, with New York now vying with London for its role as the main supplier of capital goods, the main outlet for a large number of primary products and the principal international financial center.

Consequently, when hostilities once again broke out (1939), the Americans were already in a dominant position. The "Pax America" would replace the pre-1914 "Pax Britannica." Drained by hostilities, cut off in the East, our old continent in 1945 was bled white, compared with the American ally now firmly established in its role as the leading country. The Bretton Woods conference on Uncle Sam's soil and the Havana conference, to name but two, demonstrated that after World War II, the center of gravity in the world had shifted across the Atlantic.

But we also know that the United States, historically speaking, played only a brief transitional role between the dominant civilization of the past: that of Europe and the Mediterranean, and the one apparently beginning to prevail at the close of the 20th century: Japan and the Pacific.

#### B. Decline of Europe, Benefiting Japan

It is in fact certain that all recent signs -- especially economic -- come together to show the irresistible thrust of the country of the rising sun and the nations in the Pacific zone, while our nations of the old continent are suffering a profound economic and political crisis.

It is true that the current situation in Europe is characterized by the existence of a profound crisis in a Europe...in a Europe in crisis.

The crisis in Europe? Apparently, Europe's health is sound; stores are bursting with goods. And yet, the internal maladies with which it is afflicted are serious. Europe is suffering the financial crisis just as it suffered the industrial crisis. It is experiencing a sharp worsening of unemployment and its growth has been weaker since 1975 than in other regions of the world, with the exception of Africa. Productive investments are way down.<sup>2</sup> It is certain that the old industrial Europe as a whole has in recent years revealed its weaknesses vis-a-vis the new masters of the effective economy, the countries of the Far East. "Deindustrialization" has hit our countries hard. France lost 800,000 jobs in industry between 1970 and 1983.

For the entire Europe of the Six, the number of wage earners in industry fell by nearly 5.5 million between 1971 and 1981. In short, the economic, scientific, demographic and even cultural influence of Europe has gradually eroded over the years. It is as if the European nations -- beginning with France -- could no longer master the concomitant phenomenon of a lasting economic crisis and the advent of new technologies. The European Community has remained largely engaged in the exportation of a wide range of medium-range industrial

products, leaving it up to the United States and even more, the nations in the Pacific, to master, design and produce the new tools of the third industrial revolution.

Europe in crisis? It is a fact that the political construction of Europe is marking time. One single important change has come about in the past dozen years, to wit, the creation of the European Monetary System (SME) instituted by the European Council in Brussels on 5 December 1978 and put into effect on 13 March 1979. European meetings in recent years have concluded with increasingly laborious compromises. The European Council of Athens on 6 December 1983 provided the spectacle of impotence and disunity. No one even tried to camouflage disagreement over urgent current problems: What "return" for England and for how long? What would be the new financial resources of the Community? How to discipline farm spending without upsetting farmers?

Two main reasons seem apparent for this political crisis of Europe:

1) the economic crisis: How to organize Community progress when development has given way to recession, when the crisis has replaced expansion? It is true that in a period of crisis, national interests are exacerbated and there is a trend toward "every man for himself," even a retreat. One has but to recall France's hesitation at the time of the third devaluation, with our country inclined for a time to remove itself from Community mechanisms. Every country increasingly views European construction as an accounting system in which each one counts what he puts in and gets out. This was quite apparent with the British attitude at the most recent European meetings. Furthermore, unable to make any progress on European construction, some of the current members can be seen yielding to the simultaneous temptation to expand the Community to new members, with the rush toward a bigger Europe being posed as a solution to all our current difficulties.

2) the general internationalization of relations between industrialized countries. International trade has in fact developed in an exceptional way after World War II. This strong trend toward the internationalization of economies has erased national peculiarities and Europe is also suffering from this loss of identity.

## II. Europe's Decline Irreversible?

One must in fact ask, inasmuch as the book of history is full of dead nations and civilizations, whether the decline of Europe observed since the beginning of the 20th century will continue, dooming our countries to the unavoidable decadence of Rome.

There is no dearth of prophecies lending credit to the prospect of an irreversible regression of the old continent. One has but to recall the premonitory letter that Frederic Melchior, Baron de Grimm, sent to Catherine the Great in 1775: "Two empires are dividing up the world: Russia in the East and America in the West. And we nations caught between the two will be left out of consideration. We shall have sunk too low to know, except through a vague and incoherent tradition, what we have been." Closer to home, Paul Valery thought that "Europe is doomed to the secondary role conferred on it by its size."

In particular, it is certain that the irrevocable decline of Europe seems to be written in the demographic projections of the old continent, with Asia having the largest human concentrations of the third millenium. However, the collapse of the birth rate and the aging of our countries<sup>3</sup> also have an impact on ways of thinking and there has been and will be in the future a loss of the pioneer spirit in this old Europe of the ages, which therefore feels exhausted, a sentiment expressed by Alfred de Musset long ago when he wrote: "I came too late into a world too old." It is true that the nations of our old continent give the impression of being content to manage their secular decline, to transform that decline into a lasting process, almost to the point of claiming it to be their genius!

Who could therefore fail to see the need to check, or try to check, this long and apparently irreversible decline of the old continent, to better unite the European countries in the future? It is in fact their current dispersion that essentially dooms Europe to fading away. United, or less disunited, Europe would still "carry weight" and could compete in many fields with the leaders. In terms of population in particular, Europe...of the Twelve would have 300 mil-300 million inhabitants compared with 240 million Americans. In the field of foreign trade, a united European Community would be the leading world trading power.... It is therefore important to seek to strengthen the political construction of Europe,<sup>4</sup> the union of its different component parts alone being able to restore the voice and consideration due to each of our shrunken nations in an age of giants.

But it is not easy to build an economic, social and cultural entity that is historically and geographically balanced, enabling all members to develop their personalities fully.

#### A. Complete Fulfillment of Personality

It is true that there can only be a "European Europe" one day, a Europe truly independent, if that entity corresponds to a third type of society different from the individualism of the United States and the collectivism of the USSR. A true Europe can assert itself as such only if it sets itself apart from the other systems. In short, Europe will have its own identity or will not exist at all.

There is unquestionably no need to dwell on the fact that at the present time, all the countries now members of the EEC are far from moving toward that personalist goal permitting the overall development of man as a whole in his total situation. The Germans are liberal; for them, it is the market that counts...and also the world. On the other hand, since 1981 France has exhibited a different philosophy: "French-type socialism." Clearly, the nationalizations and the presence of communists in the government do not ease any rapprochement with firms beyond the Rhine which, reticent vis-a-vis anything faintly resembling a planned or state-controlled economy, are more tempted to seek cooperation outside the Community (the United States and/or Japan).

#### B. Space Historically and Geographically Lived by Its Inhabitants

It is certain that in order to find the authentic contour of Europe, one must use historical and geographical criteria. One must in fact spell out both the

"European historical region" -- the fruit of a common heritage of ways of thinking, customs, traditions and languages -- and the "natural European region" resulting from physical, geological and even botanical elements.

One immediately realizes that it is difficult to define the European space corresponding to these historical and geographical aspects. We shall not dwell on the quest for Europe's past, the search for past reality serving as a basis for solidarity...or today's distrust.<sup>5</sup> Rather, we shall confine ourselves here to showing how great the difficulties are based on the mere geographical aspects. Without a doubt, England is part of the "Atlantic Europe," but one also knows that every season of history confirms and renews Bolingbroke's well-known phrase: "We are neighbors, but not part of the continent." As for "continental Europe," one suspects that one cannot mean merely the smaller Europe, the "stump" emerging from the Rome Treaty. "Geographically lived" Europe actually includes the Iberian Peninsula without a doubt, but also, the suffering Europe of the Eastern countries, which scarcely facilitates things.

### C. Balanced Economic, Social and Cultural Entity?

It is certain that, in order to assert themselves as an entity, the European countries must remain at a distance from the dominant powers. Consequently, the two related questions that must be asked are: Do the two superpowers want this? Can the nations of the old continent do so?

In answer to the first question, it is sure that neither the United States nor the USSR, which might one day be caught between Europe and China, truly wants the emergence of a distinct economic and monetary bloc capable of offsetting their designs. But our countries themselves do not seem able to get away from the hold of the superpowers and establish a specifically European personality. More particularly, let us look at the American economic, monetary and military preponderance over the countries of our old continent. We know in fact the importance of the subsidiaries of the American multinational firms in Europe. We also know that the Eurodollar is the unofficial European currency accepted and desired by the private sector. Furthermore, we know that with the exception of France, all the European countries have a defense integrated into the Atlantic arrangement dominated by the United States. The FRG in particular, given its special circumstances, does not intend to get along without the "American nuclear umbrella."

One must, however, give consideration to the more internal obstacles to the creation of a European Europe. One cannot accomplish the formation of a confederal- or even federal-type European bloc without giving up national sovereignty. It is clear, for example, that none of the procedures leading to the creation of a single European currency and a European Central Bank will spare the different members of the Community from having to accept sacrifices of sovereignty. The same is true of all the common policies that must be developed to clear the way to a more coherent and more united Europe. Are our old nations willing to give up their everlasting nature for the good of a European state with all the attributes of power: a budget, a currency, its own defense? Nothing could be less certain. Every one of the big nations of

the EEC continues, in fact, to give priority to its own interests, its own destiny. England is first of all an island (as De Gaulle was fond of recalling) which, to use Palmerston's phrase, "has neither eternal friends nor eternal enemies, but eternal interests." The FRG, the industrial heart of the European unit, a structurally dominant economy associated with Holland and Belgium (as the Amsterdam and Anvers traffic suffices to prove), intends once again to become the "German nation." Is it not ready today to accept its neutralization as the price of its reunification? France, the old agricultural France in the heart of Europe, has already had to build itself as an abridgement of Europe. Its objectives are not therefore in keeping with those of the FRG and England.

It is true that the presence and persistence on our old continent of our old nations -- "mysterious, invincible facts" (A. Malraux) -- now seem to prevent the construction of the "United States of Europe" of which Fernand Braubel<sup>6</sup> dreams, in the path of Sully, Bernardin de St. Pierre, Saint-Simon or Mazzini. The proposal of an original European political entity comes up against the unquestionable past and present reality of living, lasting nations, thus seeming to justify the unappealable condemnations of Raymond Aron ("Europe is a continent or a civilization; it is not a political and economic entity. The European idea is empty. It lacks the transcendence of Messianic ideologies and the immanence of concrete patriotism.") or Salvador de Manariaga (Europe is not and will never be a nation. It is a cluster of nations. The real and unquestionable parts of the European spirit are the national characters.") or even Robert Schuman ("I am hostile to any European citizenship. Europe's strength lies precisely in the fact that it is not a nation and possesses the diversities one must not level off.").

Is it not significant to observe that even the sword -- the "axis of the world" (Charles de Gaulle) -- was never in the past (Napoleon, Hitler) able to institute a real and solid "European Europe"? Has the construction of such a Europe come up against the squaring of the circle?

#### FOOTNOTES

1. The Victorian era (1850-1875).
2. Letter from the CEPII [expansion unknown]: "The World Economy in Crisis" (October 1982).
3. For example, in the Federal Republic of Germany, the number of births per woman is scarcely 1.5, while replacing the generations would require 2.1. Projections done by German demographers even predict a drop in the population of 15 percent at the beginning of the next century.
4. In order, to use the image of Jean Jaures, "never again to see every people in the streets of Europe with their little torches in hand."
5. See "Les Dossiers de l'histoire: Pourquoi l'Europe?" No 19, May-June 1979.
6. See F. Braubel in LE MONDE, 13 December 1983, p 2.



## EUROPEAN UNITY NEEDED FOR WORLD POWER BALANCE

Paris CONTREPOINT in French No 48 [Autumn 84] pp 81-88

[Article by Jean-Pierre Gouzy, journalist, political editor of L'EUROPE EN FORMATION, author of various works, European chronicler on RTF [French Radio and Television]: "Europe and the Rising Perils in the World"]

[Text] At this beginning of 1984, what are the main threats endangering the world and, more specifically, affecting a West Europe seeking its unity?<sup>1</sup>

If the problem of European security and, more precisely, the countries making up the European Community or about to join it is on so many minds today, it is unquestionably because the multifaceted threats affecting peace in the world have increased considerably since we gradually entered a period hit by economic crisis and a deterioration in international relations. This phase is characterized by a series of mutations whose unsteady effects closely overlap and affect one another.

The widespread attitude consisting of avoiding looking at the harsh realities of the world will not enable us to respond to the challenges threatening our freedoms, our societies and our civilization. Whether we like it or not, our first duty is to try to view the world as it is and as it appears likely to evolve, not as we would like it to be if it were of a different nature.

### I. Rising Perils

It may seem arbitrary to give precise dates to mark the end of the period of economic prosperity and detente that, grosso modo, characterized the 1960's and part of the 1970's for Western industrial societies and, in particular, for a Europe with emerging Community institutions.

Furthermore, one must remember that this period of detente has been marked by events capable of upsetting the world such as: the advent of a Third World communist regime in Cuba; Kennedy's assassination; China's accession to the nuclear club; the Cultural Revolution and the Chinese-Soviet military incidents; the invasion of Czechoslovakia (after the "Prague spring"); the Six Day War, then the Yom Kippur War; the Arab oil embargo; the quadrupling of crude prices; the Turkish military attack on Cyprus; the Lebanese civil war and the Syrian invasion; the American conflicts in Vietnam and Cambodia; the change of regimes

in Indochina, to the benefit of Soviet influence; the civil war in Angola; Ethiopia's wars with Somalia and in Eritrea; the war in Shaba or the forgotten war in Chofar; the war of the Khmers Rouges and the Vietnamese; that of the Chinese and the Vietnamese, and so on.

But these confrontations and crises were at the same time [text deleted?], which resulted in events of international scope such as: treaties on the nuclear weapons ban (1962); the demilitarization of space; nuclear nonproliferation (1967-1968); the German-Soviet and German-Polish treaties, within the framework of Ostpolitik (1970); the treaty denuclearizing the ocean floor (1970); the SALT I accords (1972); the treaty between the two Germanies (1972); the opening of the MBFR negotiations (1973); the Ford-Brezhnev agreements in principle on the SALT II accords in Vladivostok (1974); the Helsinki Conference on Security and Cooperation in Europe (1975); the normalization of Sino-Japanese and Sino-American relations (1978); the Camp David Accords (1978); signing of the Israeli-Egyptian Peace Treaty (1979); then the SALT II accords (15 June 1979).

Beginning in June 1979, East-West relations began to decline as the result of different events:

- 1) failures of the United States relating to the events in Indochina, Watergate, the fall of the pro-Western regime of the Shah of Iran, the taking of diplomatic hostages at the American Embassy in Tehran, and so on;
- 2) the success of Soviet influence in Africa, with the help of the Cubans, particularly in Angola, Mozambique and Ethiopia, as well as in South Yemen and Asia (the notion of the "expanded socialist camp");
- 3) and above all, the Soviet Army's invasion of Afghanistan on 24 December 1979, in order to back a local communist regime, but also, by the same means, to permit air control of access to the Persian Gulf, through which half of the oil supplies for West Europe, the United States and Japan must pass.

In 1980-1981, other events furthered this decline: in Central America, in various regions of Africa, within the confines of Iraq and Iran, while the war continued in Afghanistan. In 1981, while President Reagan's diplomacy decided to take the opposite tack of that of President Carter, particularly filling the strategic gap which the latter had allowed to grow on the nuclear level and, more generally, regarding the ratio of force to the detriment of his country, the Polish affair finished creating a very complex climate of tensions in East-West (or North-North) relations.

Therefore, if one compares the realities of the world today with those at the beginning of the 1960's, one notices that the USSR has used the period of "detente" to:

- 1) begin its penetration of the Third World, proclaiming its support for "national liberation movements";
- 2) reduce the United States' preeminence in world affairs; and
- 3) confirm the continued growth of its military power (at least quantitatively, this growth exceeds that of the potential adversary in conventional and nuclear terms).

It is within this context that, on 12 December 1979, NATO decided to modernize the long-range nuclear forces by deploying a new generation of American missiles in Europe capable, beginning at the end of 1983, of gradually balancing the Soviet SS 20 Euromissiles designed, as early as 1979, to cover West Europe. At the same time, NATO approved a program of negotiations whose purpose was to limit nuclear weapons in Europe on both sides and decided that the number of Western nuclear weapons would be examined in the light of the concrete results that could be obtained by such negotiations.

It is perfectly obvious that the East-West problem has, with the failure of the Geneva Conference on Euromissiles, entered a phase all the more perilous because Europe, directly and immediately involved, in no way represents an "equal partner" in the context of the Alliance and no longer speaks with a single voice in the world in the early 1980's, any more than it did in 1960 or 1970. In the field of foreign policy and security, Europe remains a "non-person." This is an additional reason for the imbalance in international relations and a major asset for those who dream of pursuing dreams of hegemony.

Economically speaking, the fundamental modification came about in 1973 at the time of the Yom Kippur War when, in order to come to the aid of Egypt and Syria, beaten militarily by Israel, Saudi Arabia suddenly decided, with a dozen other Arab countries, to halt oil deliveries to "Israel's friends" (actually, it was essentially Europe that was affected) and to quadruple the price of crude in a matter of months.

It is true that the Western world had already entered a period of economic and monetary instability since 15 August 1971, when President Nixon decided to put an end to the convertibility of the dollar. In 1972, the economy of the industrialized countries was overheating, while the Meadows Report, published under the auspices of the Club of Rome, issued its famous theses on the limits of growth.

The political crisis in the Near East set off a world economic crisis of a scope unequalled since the 1930's, characterized by a drop in growth, unbalanced trade, the development of inflation and unemployment in industrial societies, deterioration of the situation of most developing countries, and so on. Within this context, the North-South negotiations begun in 1974 yielded no tangible result. The movement of Nonaligned Nations became radicalized. Negotiations on the new international economic order did not settle fundamental problems between the affluent societies in the Western system in the Northern zone and others.

## II. Peace Threatened: How and Why?

While there is scarcely a spot on the globe that is not, in one way or another, a pawn of Soviet-American competition, there is scarcely any doubt that the central theater where that competition is played out remains Europe and, in the heart of Europe, Germany. Even if we abstain from entering into detailed comparisons of figures, we cannot ignore the fact that a dangerous strategic imbalance exists in the heart of Europe where, with respect to traditional and nuclear forces, the USSR has optimum means for direct and continuing pressure.

In a speech delivered on 30 September 1981 before the Assembly of the North Atlantic Treaty Association in London, General Rogers, supreme commander of the Allied Forces in Europe, declared: "...Let it suffice to emphasize that their forces (of the Warsaw Pact) continue to exceed NATO forces in number, in the air and on the ground, at a rate of at least 2 to 1, however they are calculated; that they have improved qualitatively over the past decade to the point that they have equipment as good if not better than that of NATO in several domains; that the Soviets have turned their previously defensive naval and air forces into a modern ocean-going navy that can threaten all maritime communications in the world and an air force offensively oriented, whose threat extends to the entire Allied Command in Europe; and finally, that they possess sufficient quantities of logistical stock for us to measure their aptitude to launch prolonged operations against NATO lasting months rather than days."

For the Study and Research Group on Soviet Strategy, set up within the framework of the French Foundation for National Defense Studies, if the military apparatus of the Warsaw Pact "is the most powerful that the world has ever known," the fact is that there "is a strict coherence between the vision of the world, strategic conceptions and organization of armed forces that fit into an unflinching deductive series" whose "catalyst and source is the part." From the military and political standpoint, it is a fact: The NATO apparatus is far from having the same coherence, even if one considers the fact that this is an alliance of democratic countries in which divergencies over security interests are inevitable.

The affair of the Euromissiles, meaning the Soviet SS 20's, adapted by virtue of their range, precision and mobility to tasks of the potential destruction of the nerve centers of West Europe, has only increased the feeling of threat in the most industrialized and most populated part of the world within a geographically limited perimeter (the population of the European Community is an average of 164.5 inhabitants per square kilometer, while the density is only 12 in the USSR and 25 in the United States).

Such asymmetry has roused manifest unrest among part of European public opinion where that public opinion is more particularly exposed, given the state of dependency of the European countries on the United States, the only power capable of concretely mounting a show. Which it promptly began to do at the end of 1983 in installing the first Pershing II and Cruise missiles. This is the underlying meaning of the pacifist movements that have recently manifested themselves, before the opening of the Russian and American talks in Geneva. However explicable such movements may be, one may well wonder whether the Soviet overarmament in Europe was not precisely for the prime purpose of impressing the Europeans, to the point of causing them to give up the objective of a nonunilateral, balanced and controlled disarmament and take the path of a kind of "rampant neutrality" leading to a possible disengagement of the United States. At any rate, this is the opinion expressed over and over recently by the most diverse political observers.

Beyond the European theater, many experts emphasize the fact that the USSR has become the leading military power in the world, that the American technological progress is less significant, and that the more unstable the international

situation becomes, the more profound modifications in the environment seem to play in its favor, creating a strategic gap hurting the United States and its allies. President Reagan has indeed decided to take the path of catching up, but will the resulting arms race leave the USSR indifferent and standing idly by? Whatever the case, it is a fact that the more the lived experience of the Soviet model (planning, agricultural collectivization, and so on) is the cause of rejection and disappointment (explaining the "Eurocommunist" evolutions of some of the most important Western PC's), the more the leaders of the USSR will affirm their conviction in the success of that Soviet model. This model would be inevitable and, as an objective outside adversary, "imperialism has become the ideological and organizing form of internal life" in the USSR.

Europeans particularly feel the danger of such a situation, despite Washington's denials, emphasizing that the United States could not fail to be directly involved in a limited but decisive confrontation in the European theater (which in my opinion is the greatest probability). It is a fact that the credibility of the automatic nature of the American nuclear engagement in case of a European conflict has become a permanent element of controversy.

Based on widespread reasoning, the threat of destruction that may face entire nations is so insane that it now appears credible only in order to ensure the defense of direct and immediate vital interests, not to protect another nation or another group of nations.

In general, another element of the nuclear threat has to do with its spread to the limits of the planet: the nuclearization of air and maritime space; refinement of the arsenals (meaning that no place on the planet will be safe, no matter where the devices are launched); expansion of the "atomic club" to developing countries such as China and India and probably other nations (Israel, South Africa, for example; with 22 nations at present producing plutonium in nuclear reactors).

According to the director of the International Institute of Research for Peace in Stockholm, the Soviet and American arsenals alone now represent in the neighborhood of dozens of millions of tons of the equivalent of TNT.

Furthermore, constant progress in military technology (polyvalence and miniaturization of missiles, the precision of vectors, in particular) help upset predictions and relativize political commitments.

Since the events of 1973, Europeans have been aware of their vulnerability and their fragility in the face of any significant change in East-West ratios or the situation in the Near East for their supplies of energy and raw materials (the European Community imports 90 percent of the raw materials it processes from the rest of the world). Supply routes in the Near East and near the Mozambique channel have become uncertain in the case of regionalized tension and due to the Soviet penetration of Afghanistan (Russian air bases are 450 kilometers from the Indian Ocean and 700 kilometers from the Ormuz Strait). That is why the fate of West Europe now depends on the Gulf region,<sup>2</sup> the Horn of Africa or even Africa, as much as on Central Europe.

In addition, the vulnerability of Western industrial countries, particularly Europe, regarding energy supplies, does not only stem from economic causes. The lesson of the successive oil crises actually demonstrates that the quadrupling of crude oil prices in 1974 came immediately after the Yom Kippur War and an oil embargo and the sudden increase in prices in June 1979 was preceded by the fall of the Shah of Iran and the signing of the separate peace treaty between Egypt and Israel. As one can see, the tie is not only economic, but geostrategic.

Furthermore, in its present phase of industrial and energy development, Europe will continue to depend on supplies from the Eastern countries. The recent affair of the Siberian gas hit the headlines because it illustrates a paradoxical situation: With the gradual exhaustion of certain gas deposits in the Community, the countries in the Community, still unable to promote any true common policy on energy, will increasingly seek their supplies from politically "sensitive" zones.

Beyond the threats of a direct East-West confrontation, the Europeans keenly resent the existence of a real crisis in control over the international system as a result of the failings of the United Nations and the anachronism of its organization in the field of security, the increase in the number of new sovereign states -- particularly ministates -- on the world scene, the widening disparity in revenue between the poorer nations in the South and the richer ones in the North -- a disparity on the order of 1 to 43<sup>3</sup> -- and the spread of production structures all over the world.

The main stakes, under the circumstances, seem to be in the Near East (latent conflicts in the Arabian Peninsula, linked to the artificial nature of most oil monarchies in the Gulf and the evolution of Iran; the Iraqi-Iranian war; the Israeli and Lebanese powder kegs; the establishment of regimes favorable to the Soviets at the outlet to the Indian Ocean; conflict-ridden ties between Islamic territories promoted by a resurgence of religious fundamentalism and oil territories in the immediate neighborhood of the Soviet space).

The rise in peripheral conflicts is expressed by the development of fronts of aggressiveness and zones of confrontation in the Southern Hemisphere and within the North and the South. For the record, one might mention the Central American zone: the Caribbean, Nicaragua, San Salvador [sic], Guatemala, Honduras; the North African zone, covering the Western Sahara, Chad, Sudan, Ethiopia, Eritrea, Somalia, as far as Yemen; the South African zone: Namibia, Angola, Zimbabwe, Mozambique; the Near East: Israel, Lebanon, Syria, Turkey, Iraq, Afghanistan, as far as Pakistan; and the area made up of the Indochinese peninsula, on the southern border of China: Vietnam, Laos, Cambodia, Thailand, the Philippines and, in addition, Burma and Malaysia.

This unstable, fluid, conflict-ridden situation has as its background the economic and social difficulties of the Third World, which faces the consequences of underdevelopment and galloping population growth (80 percent of the world population will be in developing countries by the year 2000).

Generally nonaligned, the Third World is in fact at stake. Broken up into over 120 centers of sovereignty<sup>4</sup> that are often lacking in real administrative structures and its own resources, the Third World, except in certain cases such as the OPEC nations, is in a situation of dependence and the actual solidarity of its parts remains somewhat theoretical once the stage lights of the big United Nations conferences or of nonalignment are out. The situation of the Third World, given the current state of the international balance, therefore constitutes a threat, for its evolution is unpredictable and marked by growing uncertainty.

Insofar as the Soviets and the Eastern countries, absent from the North-South dialogue, maintain selective relations with the Third World (extreme weakness of their overall aid,<sup>5</sup> absolute priority of considerations linked to the ideology and strategy of the USSR), and insofar as the Americans, under the Reagan Administration, essentially see Third World crises as the result of the expansionist policies of the USSR or the action of the Cubans in behalf of the Soviets, then the absence of a politically united Europe will promote the confrontation of superpowers in the shift of developing countries and the exacerbation of the most contradictory conflictive trends.

The Europe of the EEC has definitely been capable of playing a substantial role in development, mainly thanks to the Lome model (63 countries of Africa, the Caribbean and the Pacific), food aid and the policy of association in the Mediterranean Basin, but it is not able to make the big political moves as a European Community in defining a new economic order that will call for a profound reform of what remains of the international system emerging, after World War II, from the Bretton Woods and San Francisco conferences, what some have called a new Marshall Plan, others a planetary New Deal.

### III. Conclusion

A politically united Europe -- meaning one having a foreign policy and a policy of defense and security of its own, by virtue of a clearly expressed democratic consensus -- would be able to reduce, for itself and for the world, the formidable consequences of the conflictive uncertainties of this end of the 20th century.

While it is true that henceforth, "all problems are linked together," that they interact and tend to branch out across national and geographic borders, a European political community would have the possibility of waging new and overall action in the East-West-North-South problems, meaning the traditional cardinal points now inseparable from world perspectives.

The existence of such a Europe could help put an end to the moral crisis afflicting Western society, with European security no longer figuring, as is now the case, as a phenomenon subordinate to the evolution of exogenous elements over which Europeans have no decisive control as such.

(February 1984)

#### FOOTNOTES

1. This study is an update of works by the author within the framework of a security commission set up in December 1980 by the International European Movement, then a collection published in October 1982: "Europe, Be on Your Guard."
2. The Strait of Ormuz is the natural outlet of the Gulf of the Indian Ocean. It is a rugged area, sprinkled with islands and rocks in relatively shallow water, within range of both shores.
3. \$300 a year per person, on the one hand, and \$13,000 on the other. This disparity is from 1 to 58, in the case of Switzerland (\$17,400 per person in 1982).
4. The last "sovereign state" recognized by the United Nations is the Antilles Archipelago of Saint Kitts and Nevis: 48,000 inhabitants. The event was in September 1983.
5. Source OECD. 1980: .14 percent of the Soviet GNP; .06 percent of the GNP of the Eastern countries; .37 percent for the OECD zone; 1.4 percent for OPEC.

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## INDUSTRIAL, FINANCIAL, DIPLOMATIC ISSUES HINDER INTEGRATION

Paris CONTREPOINT in French No 48 [Autumn 84] pp 89-96

[Article by Philippe Moreau-Defarges, professor at the Paris Institute of Political Studies, charge de mission to the director of the French Institute of International Relations: "Toward a Different Europe? A Unification To Be Redesigned"]

[Text] The failure of Athens (4-6 December 1983) probably confirms the end of the European dream in its initial form. That dream emerged following the end of World War II, during those cold years in which the return of tension seemed to announce the outbreak of a new conflict. France, always marked by the German danger, had no other alternative than reconciliation with the hereditary enemy. Among those who then imagined Europe, there was a mixture of boldness, realism and inevitable naivete. Their boldness resided in their vision of overall construction, called upon one day to bring forth a European federation. Caution is found in the method: getting around the question of the state and its sovereignty and building the edifice "through concrete accomplishments initially creating a de facto solidarity...."<sup>2</sup> Whence three communities founded on coal and steel, the atom and trade. Finally, their naivete seemed to be found in that belief that old national realities would gradually fade away behind the growing daily ties, the interdependencies.

But what has happened? The dream, or rather, the proposal is coming about. Interdependencies, meaning the existence of intense and nearly irreversible commercial currents, are developing. "In the EEC, the rate of outside dependency on national economies compared with neighboring countries is 25 percent" (in contrast, it is only 10 percent for the entire EEC compared with the rest of the world).<sup>3</sup>

From Interdependency to Unity, the Impossibility Continues

Contrary to the logic conceived by the European founding fathers, the economic ties have not themselves led to political unity and interdependency has not turned into integration. Three examples enable one to understand the nonexistence of that natural dynamic: budget, industry and diplomacy.

The budget or integration as a front: The budgetary system defined in 1970 was conceived as one of the driving forces of integration. The Communities are endowed with their own resources (customs duties, deductions, with part of the receipts flowing from the added value tax). Spending finances common action and above all, the single common policy, the agricultural policy (still in 1983 absorbing two-thirds of the credits). The logic of integration was in place. That which challenges it is the affirmation of another conception, another interpretation of the budget rules. For the United Kingdom, which joined the Common Market in 1973, its own resources are but a legal dressing. In fact, there exist only the contributions of member states, made up of customs duties, taxes and part of the added value tax collected in each of the national territories. In this approach, integration cannot grasp the essential element: Europe must be viewed as an association of nations, with the distribution of common charges being based on the relative wealth of each. Likewise, with regarding spending, the notion of common policy, its function of integration, must yield to that of transfers from the wealthier nations (Germany, France, the Benelux countries) to the less prosperous among them (Italy, Ireland, the United Kingdom and, in the future, Spain and Portugal).

Industry or the absence of spontaneous evolution from trade to integration: The establishment of the customs and economic union does not create a common fabric. This union (or more precisely, the disappearance of tariff barriers between member states and the institution of the common foreign tariff) came about fairly quickly, between 1959 and 1968. But many obstacles -- differences in standards, regulations of all kinds, health standards -- subsist. The elimination of technical obstacles appears to be a long-range task in which one must first of all ensure that new obstacles do not emerge! Instead of coming together, the French, German and other enterprises prefer to sell out to American or Japanese firms. "Twenty-five years after the Rome Treaty, no European transnational group has been set up."<sup>4</sup> Approaches to industrial problems remain national: German or British liberalism, French "Colbertism." The Rome Treaty, inspired by a liberal spirit and concerned about preventing ententes and distortions of competition, thereby condemns the principle of a common industrial policy.<sup>5</sup>

Diplomacy or impossible integration confronted with the requirements of sovereignty: Foreign policy belongs to the nucleus of state sovereignty. Integration and the transfer of national competencies to a supranational authority are therefore excluded. The only possible way is that of concertation, the gradual convergence of national policies. Thus, in 1970, political cooperation (Davignon report), articulated around the regular meetings of ministers of foreign affairs and of national officials was born. While integration implies irreversible changes (that which is entrusted to the Communities henceforth belongs to them as their own and cannot be taken away), concertation rejects what has been attained. The Venice Declaration on the Israeli-Arab conflict was passed by the Nine in June 1980, at France's prompting. But it was France, after a socialist government came to power in May 1981, that let it be known, both through the voice of the president of the republic and that of the minister of foreign relations, that the document is too favorable to Arab positions and too harsh regarding the Camp David process.

## Supranational Dream and National Realities

The three crises affecting European construction are marked by a constant factor: the weight of national and state limitations.

In 1952-1954, the proposed European Defense Community, although advanced by a France anxious to place the weapons of the FRG under surveillance, came up against the matter of the integrity of French sovereignty. For the Gaullists and the communists in particular, France could not give up its independence in the essential domain of its defense. And it was the burial of the treaty by the National Assembly (30 August 1954).

Likewise, the crisis of "the empty chair" (1965-1966) was brought about by General de Gaulle's refusal to accept passage from the rule of unanimity to that of the qualified majority for the adoption of Community decisions. The crisis ended with the "Luxembourg compromise." That statement of disagreement stipulates that when very important interests are at stake, discussion will continue for a reasonable length of time and try to find a solution acceptable to everyone, with France indicating that for it, the only possible way out would be unanimous agreement. In practice, with the exception of deliberations on budgetary matters, unanimity is now definitely the rule for important matters as well as questions of detail.

As for the Athens crisis, since December 1983, it has been that of a heterogeneous Community governed by principles and procedures designed for a homogeneous whole. At the heart of the debate is obviously the budget, symbol of the Europe of the 1960's. Through this budget, France tries to defend the common agricultural policy, which remains the target of the United Kingdom. Combined with this opposition is the disenchantment of the FRG and the demands of the "poorer" countries.

Athens reveals a community in which a certain desire to live together must coexist with essential differences, whether it be a matter of differences in development or diplomatic choices. The notion of a contract regarding which member states have the same rights and obligations must be replaced with diversified forms of organization, combining integration and cooperation.

### Two Requirements for Europe: Effectiveness and Legitimacy

European unification would first of all be dictated by a concern over effectiveness. Facing the United States, Japan or the USSR, countries must cease scattering their efforts. While its population represents only 6 percent of the population of the world, West Europe does 20 percent of the spending on research and development.<sup>6</sup> "Regarding research, the EEC countries have, combined, means far superior to those of Japan, but they are scattered and therefore wasted."<sup>7</sup> At a very time when the Europe of the Communities wallows in quarrels oriented toward the past, the dream of the United States of Europe is exalted. Two leftist publications imagine a Europe finally united and once again the center of the world!<sup>8</sup>

But as both Jean Monnet and General de Gaulle always emphasized that -- even though, as far as Europe was concerned, they were essentially separated -- the construction of Europe has a political meaning and purpose. This signifies that the undertaking must take on a legitimacy with the nations, but also with public opinion and the people themselves. The Communities, however weak they may be, remain the holders of this fragile embryo of European legitimacy.

Effectiveness and legitimacy: These are the two indispensable and inseparable conditions. And yet, those two imperatives are separated today.

Concern over effectiveness leads to the promotion of a Europe based on cooperation. That is, for example, the angle of the Esprit program (European Scientific Program for Research in Information Technology). That program is presented as a framework offering, in the sectors of electronics (minicomputers, data processing, software, design and manufacture aided by computers, office automation) and subsidies to enterprises. Projects must bring together at least two enterprises of different member states, with aid of up to half of the sum of the operation. Does the establishment of financial mechanisms constitute sufficient incentive? Will confidence in the enterprises, in their opening to cooperation, will be a sufficient driving force? Does this program, which is neither too planned nor liberal, establish the foundations for a third path? On this matter, the Community seems haunted by two failures: on the one hand, the absence of partnerships, of mergers of European firms; and on the other, the disillusionment sometimes caused by operations put together by governments (first of all, the Concorde). Unlike the office of enterprise rapprochement set up to aid the Commission in 1960 and still on the back burner, will the Esprit program make enterprises aware that the future of united Europe largely depends on them?

As for the problem of legitimacy, it seems to be identified with that of the European Parliament. One of the bases of unification (and its central element: the Franco-German reconciliation) is the democratic idea, as confirmed by the membership of Spain and Portugal. In the 1950's and 1960's, these two countries were kept out of the Communities, first of all, because they were not democracies, and the return of freedom conferred on them a true right to be part of Europe.<sup>9</sup> Despite this democratic foundation, the edification of the Common Market came about between governments and officials. With the exception of the farmers, the European nations feel outside of this complicated, esoteric Europe. The democratic dimension can be provided by the European Assembly and above all, by its election by direct, universal suffrage (1976). But Europe, taken over by the technocrats, is then taken over by the machines of the political parties. Only the United Kingdom, demonstrating its faithfulness to the single-list, single-ballot election, establishes a bond between the voter and the elected official. In the nine other member states, the choice (by nearly all) of proportional representation, the designation of candidates by the party machines, mean that the European election in June 1979 (and very likely, in June 1984) serves in the end to evaluate the condition of political forces! And yet, the European Parliament has not given up asserting legitimacy: On 14 February, it drafted and passed a proposed Treaty of European Union.

This document is intended as a European constitution. It provides for citizenship of the union, a homogeneous legal space and (although still referring to the existing system) a constitutional system. This text also organizes a gradual shift from cooperation to common action.

Given the profound crisis marking the Europe of the Communities, this quest for legitimacy has an element of the unreal, the absurd. Nevertheless, the European idea now appears to be a stake to be taken over.<sup>10</sup>

#### Toward a Composite Europe

Effectiveness and legitimacy are thus linked. As one more illustration, the French proposal of agencies and the reactions it rouses enable one to grasp the meaning and scope of this tie.

Given the prospect of a differentiated Europe -- that is, a unit in which, within common objectives, the policies implemented would bring together a variable number of governments based on diversified terms -- specific organs would be set up. These agencies, endowed with legal status and financial autonomy and appealing to governments that would want it, would be in charge of precise missions or projects: the conversion of a region, promotion of a backward zone, the launching of a technological project, and so on.

The agency, which evokes Anglo-Saxon administrative techniques, sees itself as a response to the heterogeneity and inertia of the Communities. Every action would bind only those so desiring and in addition, would be the subject of a strict economic and financial evaluation. The agency would ensure a balanced distribution of the effects of its operations, as well as a certain Community preference.

And yet, this formula -- a priori effective -- immediately rouses the question of its legitimacy: What would the legal and budgetary situation of the agencies be vis-a-vis the Communities? Tied to them, they would not have the desired flexibility. Inversely, dissociated from the Communities, they would break a fragile unit and would place that vulnerable, vital legitimacy in question. To France's partners, this idea appears to be ambiguous and remains in the state of a mere suggestion.

#### Europe and Mechanism of Dissociation

This moving, unstable relationship between effectiveness and legitimacy affects the state and the likely evolution of the Europe of the Communities, leading to the cohabitation of at least three systems:

The Community system, domain of the customs and economic union and of common agricultural policy: This system, which is organized around the budget, caves in a little more with every expansion. In a Europe of the Nine (1973), then Ten (1981) and soon Twelve, the budget is the place of confrontation of governments as well as institutions.<sup>11</sup> Within this framework, the dual debate over the distribution of charges<sup>12</sup> and the distribution of expenditures expresses both the financial interests of the member states and above all, the

mutation brought about by the growing heterogeneity of the Community. This mutation is already shaping up in the steady, strong increase of credits granted to the structural funds (EAGGF [European Agricultural Guidance and Guarantee Fund]-Orientation, European Social Fund, European Regional Development Fund). In 1983, they represent 13.4 percent of Community spending (support of agricultural markets still absorbing 63.1 percent of such spending), or some 4.5 billion ECU (nearly 30 billion French francs) out of a total budget of 25 billion ECU (or a little over 170 billion francs). What the figures do not show is the slow "federization" -- that is, a concentration of the means of the three funds to help the deprived areas themselves. Likewise, the common agricultural policy tends to become regionalized and to help the South more and more. Behind these tendencies, a fundamental debate is shaping up and will break out into the open following the membership of Spain and Portugal: What is to be the content of Community solidarity? Is the Community budget called upon to remain the financial expression of common policies or to become a mechanism of mutual aid, of a transfer of resources from the North to the South, in short, to start a welfare Community?<sup>13</sup>

A mixed system, combining Community-type commitments and differentiated relations: The idea of a differentiated Europe is outlined by the Tindemans report on European union (1975).<sup>14</sup> The document suggests the central difficulty of this approach. It is a matter both of considering the diversity of the states and maintaining Community discipline. Whence the statement of two principles:

1 -- Member states all adhere to the same objectives, with the differentiation involving only periods of time required to attain them.

2 -- Any modification in Community commitments, any waiver, would be authorized by the Council.

Given the optic of the Tindemans report, the differentiation, the recourse to several rates of speed, fits into the Community system and remains strictly controlled.

In practice, the differentiation does not appear to be mastered, but imposed. On the one hand, Community institutions (particularly the Commission) are prisoners of the management tasks and initiative shifts to the governments, tending to be expressed in parallel circuits. In addition, the differentiation is becoming the very condition of the membership of certain nations to new actions. The clearest example of this evolution remains the European Monetary System, established in 1978-1979.

The system was designed by a number of experts and, in its fundamental features, implemented by President Giscard-d'Estaing and Chancellor Schmidt. As for the obligations of the participating states (and above all, respect for the margins of fluctuation between the different currencies), they are debated: In principle, for each currency, variations can be 2.25 percent on both sides of their pivotal rate. For the lira, margins are greater (6 percent). Concerning the pound, the United Kingdom does not go by the exchange mechanism.

It would appear that the European Monetary System announces a poorly perceived but cardinal transformation of Community conditions. Gradually, economic and social groups are becoming aware of European limitations, of their impact. Thus, the European Monetary System is caught between several forces: "The current system is psychically rotten at the core, if one may say so. German Central bankers have always been hostile to it. It was imposed on them by the German Government only against their will and advice. A second group -- and not negligible -- of persons in Germany who would support the system of balance is the profession of economists...."15

Maintaining traditional relations between governments: Like the preceding one (differentiation authorizing variable dosages of identity or diversification of rights and obligations, of affirmation of a central authority of of persistence of national actions), the field of relations between governments takes on very specific forms: diplomatic concertation, the outlining of French-German cooperation for defense....16

### Shifting Europe

The founding fathers of Europe dreamed of a harmonious progression during which member nations would gradually turn over their competencies to the European authority. History has turned out to be much more chaotic, marked with crises and retreats.

Today, several forms of Europe seem to have to co-exist, to complement one another at times and contradict one another at others, in three major debates: solidarity, competitiveness and security.

Solidarity: The likely formation of a Community of the Twelve -- as in the case of the 1973 expansion -- will bring about a sudden rush of negotiations (between member states, with Mediterranean and southern countries and finally, with the United States). At a time when the economic crisis is imposing restrictive financial policies on the nations, a difficult sharing of resources will have to be negotiated between regions in the north struck by the industrial decline and Mediterranean regions still developing, between new members and countries in the Maghreb with vulnerable economies. All this will upset institutional networks and could create cumbersome bureaucratic machinery.

Competition requires an effective Europe, bringing governments and enterprises together in future operations. Here, flexibility and speed make differentiation necessary. But once again, just as Europe dreads being pushed out of the major commercial and especially technological trends, the new Community could separate, divide up into modern spaces open to the outside and spaces irrevocably doomed to decline. The crisis, instead of being an invitation to solidarity, intensifies splits, separates regions in terms of their causes of regression.

Security: Any reflection on the Europe of the Communities cannot forget the stakes of security, economy and military or the ties with America. Does a Europe of defense have any meaning? Between the United States and the

Soviet Union, can a European pole shape up without clashing with these super-powers? What structures, between the Atlantic Alliance and French-type independence, could it have? This domain also calls for adapted formulas of organization. Differentiation, variable geometry cannot be merely the indeed indispensable techniques in a heterogeneous ensemble, in which governments, their diplomacy and their need for identity subsist. These techniques do not do away with the question emerging after World War II: Is a European government, an authentic European legitimacy, possible? The failure of the European idea stems from the fact that it remains abstract. Europe must have a face. But are the different nations ready to give it one?

#### FOOTNOTES

1. Professor at the Institute of Political Studies of Paris, charge de mission to the director of the French Institute of International Relations.
2. Preamble to the ECSC [European Coal and Steel Community] Treaty of 18 April 1951.
3. "20 Reference Points," LE MONDE, 22 February 1984.
4. Memorandum of the French Government on "a Community space of industry and research," 12 September 1983.
5. The Commission is aware of the dangers of such an optic in a period of profound changes in industrial structures. Whence a proposed regulation aimed at authorizing ententes and agreements in the field of research and development. This text should be easily passed by the Council.
6. THE ECONOMIST, 2 April 1983.
7. See article quoted in 2.
8. ACTUEL (No 49, November 1983, pp 44-49) and LIBERATION (unnumbered issue, "Long Live the Crisis," February 1984, pp 78-79).
9. "Europeanism has been the meeting ground for Spanish democrats of the right and the left" (Fernando Moran, minister of foreign affairs in the Gonzales Cabinet), LE MONDE, 11 February 1984.
10. This importance of the European idea as a stake particularly appears in the attitudes of the British parties, especially the Laborites. The official position of the latter is always: In case of a return to power, immediate withdrawal from the Communities. However, the leader of His Majesty's Opposition, Neil Kinnock, writes that "the future of Great Britain is with Europe." For the English, the step has indeed been taken. The essential thing is henceforth to fashion that Europe, to make it in their image.
11. In particular, the European Parliament has real powers only in the area of the budget.



12. The current division of charges is challenged by the United Kingdom (in 1982, it collected 24 percent of the receipts and received from 12 to 13 percent back) and the FRG (in 1982, it paid 27 percent of its own resources and received 15 percent of the Community spending). Whence, since 1980, the payment to the former of a "check," negotiated every year, and the granting to the second of "compensations" (programs in the energy field).
13. And beyond the Community, the arrival of Spain and Portugal will set off a second debate with the Mediterranean countries left out (from Turkey to the Maghreb), which will be penalized in their essential types of production.
14. Mainly due to France's reticence based on its hostility to the "integrationist" approach of the report, the latter was immediately buried.
15. Serge Christophe Kolm: "Sortir de la Crise," pp 316 and 318, Pluriel, Livre de Poche, 1983.
16. This cooperation fits into the framework of the French-German Treaty of 22 January 1963 (Elysee Treaty) and was begun by the 39th French-German summit conference (Paris, 24-25 February 1982): "...Thorough exchanges of views (will be) completed between the two governments on problems of security."

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## COOPERATION IN INDUSTRIAL TECHNOLOGY, SCIENTIFIC RESEARCH

Paris CONTREPOINT in French No 48 [Autumn 84] pp 97-102

[Article by Olivier Giscard d'Estaing, president of the European League of Economic Cooperation: "European Community Scientific Research?"]

[Text] Science has taken a prodigious leap forward during the past half century.

It will continue to transform our way of life, the products we use, manufacturing processes, conditions relating to hygiene and health, nutrition, defense and the use of the globe's resources.

Its rate of progress has been exponential, without any preconceived plan and based on sectorial needs as perceived, the talent of inventors and development action, thanks to enterprises, banks and the government.

Discoveries and practical applications have essentially been in the Northern Hemisphere, the United States, West Europe and Japan, thanks to the industrial advancement of these countries, their financing capacity and high level of education, coupled with national policies of encouragement or the management of research.

The most spectacular sectors in results have been communications, from audio-visual to data processing, transportation, energy, chemistry, agriculture, defense, medicine and space.

The phenomena we are witnessing in all these fields result from action that is disorganized rather than coordinated, often unexpected in its results, action linked with experimentation and oriented toward the unknown, but closely integrated in a national and international environment.

#### Four Paths of Industrial Progress

A few examples illustrate the possible paths:

Long-range telescopes have been developed by a private enterprises, the TGV [High Speed Train] by a national enterprise; the Airbus, Concorde and the Ariane rocket by European enterprises under government contract; the new families of computers, driven by a big worldwide company.

Depending on the case, industrial success stems from the sole initiative of a private firm, sometimes small or medium-size, a government contract, a European application or the coordinated action of a vast enterprise engaging in multinational activities.

In the field of electronics, the research efforts of big Japanese and Western firms have yielded different results tending toward often incompatible processes and standards, as in the case of color television (NTSC, SECAM and PAL) or the video tape recorders (JVC, Betamax and V2000).

In a field as complex as research policy, one must avoid simplifications but nevertheless propose guidelines, because the stakes are formidable.

An enterprise successful in its policy of innovation and industrial development will only be able to survive international competition, either by lowering costs or by the innovative nature of its products. The years of lead it gains and receipts from its patents, joined with often spectacular growth, will ensure it the best possible profitability.

For a government, it is the evenness of its trade balance, products and patents, along with the employment level, that are determined by the competitiveness of industry. But standards of living and national independence are also affected, thanks to a possibility of military deterrence.

One is therefore tempted to reduce the drafting of a national research and development policy to the government-enterprise tandem. However, three essential factors make this approach largely inadequate:

1 -- While discovery is less and less the result of solitary action, it nevertheless essentially results from the work of small teams, driven by a taste for risk, whose work escapes administrative red tape. Nothing is more discouraging for someone in research than the hassle and documentation needed to obtain financing and justify programs. One needs a maximum of independence, trust and autonomy in order to carry out a project. The commitment of public funds may lead to the paralysis of research. A recent example of the failure of a research program that was used politically to condemn a public enterprise and even a government illustrates the best way to doom any risk and any effort to go beyond known standards. The research worker who discovers nothing is ridiculed and those who encouraged him are condemned, but often, only a single project out of five or ten succeeds!

2 -- The dimensions of a project requires financial efforts going beyond the means of an enterprise and even of an average-size nation. Instead of devoting a national effort to four or five heavy, prime projects, it is better to undertake 15 or 20, sharing the risk and combining the competencies of several countries. The European dimension is indispensable. The conquest of space illustrates the impotence of average-size nations. Never would the fantastic accomplishment of the American Space Shuttle have been possible without the loans from the American Government. France would never be able to assume the enormous cost by itself. Furthermore, when one passes on to the costly phases of development and to making production investments profitable, the broader the market is, the greater the chance of being competitive.

3 -- There is a world dimension to the technological effort. We have seen that there is a number of sectors whose technologies are dominated by a few large enterprises, often American or Japanese. Their success is rarely due merely to the aid of their governments. Of course, government orders and the special credits sometimes granted, especially in the military and space sector, have permitted accelerated and wide-ranging efforts. But in the field of data processing or audiovisual equipment, progress has been made by the gradual conquest of positions on world markets by big companies, which have over the years acquired prodigious research means in terms of manpower, equipment and laboratories. When one knows that IBM's budget for world research is greater than the turnover of its biggest competitor, then one can see -- as has unfortunately been demonstrated -- that the national tandem of the government with business is not in a position to fight effectively.

#### European Action

What can Europe then do to ensure the competitiveness of its enterprises by means of a common research and development policy?

We shall leave out here the other elements of competitiveness, despite their importance, such as wage and social benefits and deductions, financial costs, taxes, the size of the market, the cost of energy and supplies, the quality of infrastructures, availability of professional skills, and so on.

We shall confine ourselves to the sectors of agricultural and industrial technology: innovation in manufacturing procedures and products.

Some 350,000 research workers are active in the EEC, whose nations spend 20 percent of all world credits, or twice the amount of Japan and 73 percent of what is spent by the United States, outside of defense budgets. And yet, Japan sells us three times more than it buys and our exports to the United States amount to only three-quarters of our imports. Our lag in patents is alarming.

The Community effort has been weak and sporadic. Credits engaged in 1982: 600 million ECU, represent only about 2 percent of the public credits for research of member states. They have been distributed as indicated in Table 1 below.

Nevertheless, the Community has been involved in research from the very beginning, within the framework of the Coal-Steel Treaty (1951), the Euratom treaty with the creation, in 1958, of a common research center, whose personnel now number 2,000 in Geel (Belgium), Petten (Netherlands), Karlsruhe (FRG) and Ispra (Italy).

The European Council for Nuclear Research (ECNR) has been able, in the electro-nuclear field, to set up a fantastic working instrument, thanks to the contributions of 13 European countries.

Beginning in 1974, this research policy expanded with heavy concentration in the energy field. The policy on industrial competitiveness should be expanded.

	Millions of ECU 84-87	Percent of EEC Research and Development Spending	
		1984-1987	1982
Promotion of agricultural competitive- ness (including fishing)	130	3.5	1.9
Promotion of industrial competitive- ness (elimination and reduction of obstacles, conventional industries, new technologies)	1,060	28.2	18.5
Improvement in management of raw materials	80	2.1	1.4
Improvement in management of energy resources (nuclear fission, con- trolled thermonuclear fusion, renewable energies, rational use of energy)	1,850	49.4	63.6
Increase in aid to developing nations	150	4.0	0.7
Improvement in living and working conditions (security and protection of health, environment)	270	7.2	10.1
Improvement in effectiveness of scientific, technical potential	(5% of sum of scientific-technical credits at end of period)		
Horizontal actions	110	2.9	3.8
Total	3,650	97.3	100.0

The Commission proposed increasing Community credits from 2.6 percent of the current budget to 4 percent of the 1987 budget, with better distribution of efforts, substantially increasing the share devoted to agriculture, which would go from 1.9 to 3.5 percent, and industrial competitiveness (from 18.5 to 28.2 percent).

This should permit a reorientation of agricultural production and a better understanding of the field of fishing.

As for industry, action would be oriented toward a standardization of norms, the modernization of conventional industries and the promotion of new technologies, particularly information and biotechnologies.

#### New European Policies

In 1983, the Commission presented a certain number of proposed decisions to the Council:

Becoming aware of the origin and new elements of world competition, new by virtue of the scientific progress in the so-called "state-of-the-art" sectors and the American and Japanese weight, the Commission exposed the advantage of the Community approach, the need for an increased budgetary effort and a choice of actions to take.

A framework program was set up, setting the different Community priorities for a period of 4 years (1984-1987). The scientific and technical objectives retained are shown in the above table. The two main domains remain those of energy resources, although credits provided were reduced from 63.6 to 49.4 percent, and that greatly increased domains of the promotion of industrial competitiveness. Aid to developing countries, although increased to a total of 4 percent, remains low compared with other fields.

Let us take the example of energy. The program seeks a more rational use of energy, a Community effort of prospection, hydrocarbons and uranium, and a more balanced development of the supply of energy. Cost of the program could amount to 2 billion ECU a year around 1986-1987, while eight members of the EEC spent 7.6 billion in 1983, and be financed by a low European tax on energy consumption (under 1 percent).

The Commission also proposed the adoption of an initial European Strategic Program of Research and Development Relating to Information Technologies (ESPRIT).

The ESPRIT project stresses that 8 out of 10 personal computers sold in Europe are imported from the United States and that 9 out of 10 video cassette recorders come from Japan. Makers of European integrated circuits cover only 30 percent of their national market.

The research effort is expanding in the United States and Japan in these domains. The main manufacturers of American semi-conductors have decided on a collective pure research effort of \$30 million a year. The Japanese Government is investing \$500 million to prepare for the fifth generation of computers.

In order to catch up with world competition in 10 years, it is estimated that Europe would have to spend 1.5 billion ECU, half of which would be borne by the Community.

The project provides for objectives in the fields of advanced microcomputers, software technology, advanced data processing, office automation systems and integrated computer production. It proposes credits for proposed cooperation in research and development, consultations, and the installation of infrastructures and organization.

Another domain of possible cooperation: telecommunications facing a series of technical changes, digitization, fiber optics, satellites, miniaturization, a need for users and world competition. In order to stimulate European production, one must ensure the compatibility of equipment, thanks to common norms, and coordinate national policies of equipment purchases.

Finally, the Community can play a role in the field of biotechnology. Life sciences have progressed considerably. Once again, one must do away with national compartmentalization and undertake the execution of specific actions in common. This involves the food and agricultural industries, certain chemical industries and health care. In June 1983, the Commission made constructive proposals in this domain.

## Conclusion

The real challenge will find its responses in the unfailing application of fundamental Community principles:

1) the creation of a real Common Market, without national discrimination, with common norms, favoring the adaptation of enterprises to the greatest potential united market on the planet; 2) a government market policy encouraging the European enterprises in the best position; 3) a general economic climate encouraging risk and the profitability of innovative projects, with simultaneous motivations for individuals and enterprises; 4) the encouragement of financial efforts at all levels by tax exemptions (following the example of President Reagan's Economic Recovery Tax Act of 1981), with national and European public credits; and 5) encouragement to the completion of projects implying joint efforts of transnational European enterprises.

The priorities of European construction have varied depending on the times, but all come together: a reconciliation of nations, the creation of a vast common agricultural market, energy policy, industrial policy and technological policy.

Nevertheless, these are but the facets of an even more vast project, that of our political and cultural policy, that of our traditional European civilization on which the future depends.

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## AGRICULTURAL POLICY: PROS, CONS, FUTURE

Paris CONTREPOINT in French No 48 [Autumn 84] pp 103-113

[Article by Bernard-Pierre Lebeau, former National Agronomy Institute student, graduate of the Institute of Political Studies of Paris, former CESA [expansion unknown] professor: "Agricultural Europe Put to the Test" ]

[Text] The future of the common agricultural policy now more than ever commands the evolution of the Europe of the Ten and the future membership of Spain and Portugal. It perhaps constitutes the main cause of the atmosphere of continuing crisis that for several months has marked relations between member countries. The target of the most contradictory attacks and criticisms, the common agricultural policy, often designated by its abbreviation: the PAC, is considered both as the obstacle preventing any progress in European designs and the only great operational achievement of the Europe of the Ten.

Whether one likes it or not, green Europe represents something other than a mere budget debate. Rather, it is a question of defining the role one intends to have an entire professional sector play, with its direct consequences on the evolution of society and the rural countryside. It is a question of knowing whether one wants to see the coming of an organized agricultural policy, imposing on each of its partners, whether farmers, processors or distributors, respect for a freely negotiated contractual order, or rather, the institution of a mere free trade zone in which the essential element would be lost for the benefit of a purely mechanical adjustment in supply and demand.

## Achievements

Accepted by everyone in its principles defined in Article 39 of the Rome Treaty, the common agricultural policy demands above all an adaptation or modification of its means of application in order to take into consideration the current economic difficulties and the constant evolution in the supply-demand relationship.

## Article 39 of Rome Treaty

1. It is the purpose of the common agricultural policy to:

a) increase the productivity of agriculture by developing technical progress, while ensuring the rational development of agricultural production and an optimum use of the factors of production, mainly labor;



b) ensure an equitable standard of living for the agricultural population, particularly through an increase in the individual income of those working in agriculture;

c) stabilize markets;

d) guarantee a reliable flow of supplies; and

e) ensure reasonable prices in deliveries to consumers.

2. In the drafting of the common agricultural policy and the special methods it may imply, consideration will be given to:

a) the special nature of the agricultural activity, stemming from the social structure of agriculture and the structural and natural disparities between the different agricultural regions;

b) the need gradually to bring about timely adjustments; and

c) the fact that, in member nations, agriculture is a sector intimately linked to the entire economy.

Like any ambitious policy, the PAC imposed its own restrictions and limitations. However, the record of its 27 years of existence shows that its assets clearly outweigh liabilities. The institution of a vast common market, brought about by opening the borders of member countries and establishing a system of tariff protection vis-a-vis third countries, thus guaranteeing a single European price for all agricultural products, contributed to a general development of the performance of agriculture. The regular increase in labor productivity, yield and final production enabled Europe to become gradually self-sufficient for most major agricultural products, thus guaranteeing consumers and food processing industries a regular supply at stable and reasonable prices. The sector of agricultural production was thus able to invest regularly in technical development and progress, obtain gains in productivity greater than those achieved by industry during the same period, while permitting control over the reduction in its active population and a growth in income comparable to that of other economic sectors.

In political terms, one should note that the building of agricultural Europe has for a long time represented the essential element of European construction. In a way, it has been the social laboratory of the creation of European ways of thinking and this, curiously enough, within a rural world traditionally inclined to localism or regionalism. Backed by these achievements, green Europe has thus been able to firmly defend its interests facing the United States, within the framework of GATT negotiations, and be generous to developing countries. The signers of the Lome Convention thus obtained a system of generalized preferences doing away with customs duties on nearly 99.5 percent of their agricultural products exported to the European Economic Community.

Finally, before taking up the delicate problem of financing and the budget, one must be aware that the overall cost of the PAC is largely under the sum of

costs which every member state would have had to bear in order to follow a national agricultural policy providing equivalent economic and social performances.

#### Reverse Side of Coin

It is trite to recall that every human undertaking, every ambitious achievement, has its own limitations and negative effects. The most insidious counterpart of the agricultural price guarantee system is the failure to hold the line on market supports. That mechanism, without any regulatory system, means that Community market support spending, included in the budget under required expenditures, is financed in whatever amount, not within the limits of a budget set and drawn up in advance. Net agricultural expenditures, expressed in a percentage of the GNP of the EEC, have thus gone from .33 percent in 1977 to over .50 today. The only system of limitation is in fact indirect and results from a decision by the Council of Ministers made in 1970: The contribution of member nations completing other Community resources (customs duties, taxes, sugar quotas, and so on) cannot exceed 1 percent of the base of the value added tax for each of the members. However, the most recent budgets, particularly the 1984 budget, have come as close as possible to that threshold. Consequently, the alternative presented is simple: Either it is necessary to increase the 1-percent threshold set in 1970 or review all Community spending, first of all agricultural expenditures, which make up nearly two-thirds of the total budget.

It is proper to observe that since the common agricultural policy is now the sole wide-ranging common policy, it becomes the privileged target, the scapegoat responsible for all the evils afflicting European construction. All blockages stemming from the excessively slow progress in other Community action have unavoidably increased its burden. The difficulties of carrying out a true common economic policy have led to different national inflation rates and therefore, to divergent monetary variations which in turn have resulted in the creation of a system of correction called "of the green currencies and of compensatory monetary sums." Theoretically, this system of circumstantial adjustment has gradually become a structural element permanently established by the pursuit of monetary divergencies within the European Monetary System (SME). The source of distortions, competition and alterations in the Common Market principle, it is quite often marked up on the negative side of the PAC's ledger when in fact, the PAC is only its victim.

Actually, the main criticism that one could make of the PAC is that of having succeeded too well. It has been such a source of incentive that, as we previously recalled, it has led to a state of constantly growing overproduction of products such as milk, butter, sugar or certain types of grain. The existence of these chronic surpluses quite naturally threatens the budget balance of the Community and poses the problem of maintaining a price support policy as a system of guaranteeing farm income. Let us add that quite often, the search for optimum production systems has led to strong growth in intermediate consumption and the use of consumable expenditures not from the Community. This means that by supporting the producers of milk or meat, green Europe indirectly supports the markets of American or Brazilian soybean producers.

Finally, the last failure to enter in the PAC's record is its lack of will or determination to promote a strategy of development articulated around production objectives and orientations responding to the demand of the world market. In the absence of solid positions on the international markets, both in the agricultural product stage as well as the processed food product, Europe has been forced in many cases to sell off surplus quantities dirt cheap. The European Economic Community has not provided itself with the administrative instruments or the financial means of a real export policy.

#### Tradition and Future

The current agricultural economic context is different from that of the late 1950's. The reduction in the active farm population has led to the advent of an agriculture strongly integrated in the entire industrial economy, both through its purchases of equipment and supplies (fertilizer, seed, phyto-sanitary products, livestock feed, and so on), as well as through its need to market production mainly intended to be sold to processors or distributors (cooperative or private companies). Using less labor and no longer producing to satisfy family consumer needs, this new productive agriculture turned toward a trading economy has entered a continuous cycle of increasing operating costs. In financial terms, agriculture has thus become over the years a heavy industry far in the red.

The revolution in quantity and productivity accomplished on the technical level has led to a lasting surplus situation facing a relatively stable European domestic demand. An unfavorable demographic evolution, accompanied by a propensity to sacrifice to dietary habits of "eating better," shows that the development of agriculture must henceforth depend on reducing the quantity of commonplace products and the processing of quality products incorporating more objective added value (production of better organic quality) or higher subjective value (regional specialities, typical products, and so on).

All these elements do in fact affect the income of farmers, the victims of the "scissors" effect between the increase in charges and production costs and the absence of any growth in overall demand. They maintain a downward pressure on world prices and therefore, on European prices. In its principles, the Rome Treaty provided that agricultural income should evolve parallel with the income of other socioprofessional categories. Unfortunately, for over 5 years, particularly for the reasons we have just mentioned, that agricultural income has steadily deteriorated. At this stage in the process, we face the problem of the function of the farmer in the national or European communities. Should it be reduced to that of a mere worker in agro-food production, or rather, embrace all the attributes linked with the continued existence of rural society? In a word, can one wish for the desertification of the European rural landscape, or a Europe without farmers?

Actually, agricultural development and rural development are linked and the responsibilities of farmers in development and the upgrading of rural areas are such that they can very well justify proper remuneration of such functions. This could be, after all, the logical justification of the difference between European prices and world prices for certain basic products, an economic expression of a deliberate, conscious political choice. Development of the natural

agricultural and forest milieu has not been completed, a mission for which farmers are totally suited. The United States has shown us that a great industrial nation can be a great agricultural nation and that a powerful agriculture is a considerable economic asset. To accept this reasoning does not mean trying to reproduce a model developed in a different economic and geographic framework. Rather, accepting this reasoning means that once we have ensured our own consumer needs, we must find the ways of new expansion sustained by exports and a search for quality food. To succeed requires that agriculture be conceived in its rural insertion in the production stage and in its agro-industrial insertion in the phase of the processing and marketing of products. Within such a framework, agriculture will be able to assume the double function of preserving the environment and being the driving force of rural economic activity.

### Playing the Game

The common agricultural policy remains good in its principles and consequently, one should ask whether the increasingly frequent violations of the rules of play of green Europe are not the very source of most current difficulties. Let us recall the three basic rules of play drafted and accepted by the founders:

- 1) unity of prices and markets in order to arrive at the free circulation of farm products throughout the entire Community space;
- 2) Community preference in order to encourage the consumption of production from Community nations rather than from outside countries; and
- 3) financial solidarity in order to ensure the financing of spending for intervention in agricultural markets through a single fund to which all member countries and the European Agricultural Orientation and Guarantee Fund (EAGGF) would contribute.

Unity of prices and markets has in fact resulted in an abolition of customs duties, the coordination of administrative, health and veterinary regulations and the institution of a common price system. Prices for the different agricultural products are defined once a year in Brussels by ministers of agriculture of member countries through delicate and interminable negotiations: the "marathons." This common internal price set in this fashion is protected and defended by the application of a system of guaranteeing the purchase of quantities delivered and the application of a system of taxes and restitutions on the importation and exportation of products whose world price is lower than the guaranteed European price.

One has to observe that the unity of prices and markets has gradually been altered by the lasting establishment of the system of compensatory monetary sums. History begins with a 10-percent devaluation in the French franc in 1969 in order to prevent a consecutive increase in agricultural prices of 10 percent on the national market. A Solomon's judgment decided to increase farm prices 5 percent on the French market and to pay an additional 5 percent into an equalization fund preserving the single European price for products to be exported.

This was very quickly complicated when the mark had to undergo, not a devaluation, but an increase in value. The same system, working in the opposite direction this time, somewhat assured German exporters of an export bonus. Indispensable to the maintenance of identical common prices, the compensatory monetary sums, or MCM, thus became the source of the worst evils: distortions of competition and a disturbance of trade, the transfer of production from artificial bases, a relative increase in competitiveness in favor of countries with a strong currency, and finally, a return to national reflexes running counter to the PAC objectives. This led in particular to a certain geographical distribution of the division of labor between European regions, not in terms of existing natural potential, but of strictly economic criteria. There has thus been an increase in dairy farming raising the value, not of local fodder production, but of imported food raw materials, soy cakes in particular. *Mutatis mutandi*, an analogous situation developed in the field of pork production, where manioc imports took the place of higher priced Community grain.

Within the European space itself, the free circulation of goods has not yet been achieved in fact for all products. One has but to name the persistence of the so-called "nontariff" barriers taking the most diverse forms of legal obstacles (excise duty on wines, and so on), health regulations (vague standards of quality) or quite simply, administrative impediments (content or labeling norms).

Thus, the immediate economic interest of the different partners somewhat neglected and, in some cases, totally thwarted, the principle of Community preference, a simple principle expressed in the existence of a single customs duty, identical for all, protecting Community countries against the competition of third countries. The persistence of certain import trends, maintained in contradiction with and in violation of Community rules and combining their effects with domestic production surpluses largely contributed to a lasting imbalance of certain markets and the buildup of costly stocks difficult to negotiate. It is not possible to take up this problem without approaching the individual case of the United Kingdom, although it is a signer of the Community membership treaty in 1972, which not only continues to ignore the rule of Community preference, but obstinately demands repayment of what its infraction costs. As Michel Debatisse so properly recalled in a recent book, let us not forget that "we are old civilized nations with a thousand years of treaties concluded and thwarted behind us."

From a neglect of principles in subjective interpretations of the Community interest, the principle of financial solidarity has evolved in turn toward its enemy "brother," the principle of "just return" tending to try to transform the EAGGF into a kind of deposit fund in which each party would remain the owner of his direct or indirect payments and could demand recovery of them in the form of indemnifications of ad hoc subsidies. The problem of the respective contributions of member states and their conditional allocation is in opposition to the budgetary rule of universality. Justification of the principle of the just return thus brings into question the very principles of the common agricultural policy. One must recall that while agricultural expenditures represent two-thirds of the Community budget, it is that member states have voluntarily transferred national charges for the support of agriculture

to the Community level, which has lightened the national budgets by that much. One must also recall that the more a member nation gives preference in its trade relations to a third country to the detriment of the Community, the more it is penalized by the system of taxation and restitution, but there is no cause to be surprised, inasmuch as it was precisely that which was intended in the beginning in order to favor intra-Community trade. Moreover, it is to be feared that the principle of financial solidarity be harshly put to the test with the coming foreseeable memberships and that we shall again face the serious problem of the decline in the buffer of the added value tax proposed at 1.4 percent on 1 January 1986 and 1.6 percent by 1 January 1988.

#### Test of Reason

The purpose is not to debate out of pleasure or Byzantine perversity, but to lend to the agricultural sector, to all agriculture, the means for its development within the framework of a mastery of production, both quantitatively and qualitatively. Support of the agricultural sector must not become a political nightmare or turn into exaggeratedly heavy burdens for the Community.

The irritating characteristic of the principle of price supports resides in the nonlimitation of the supply provided for the organizations of intervention ensuring the price guarantee: a characteristic heavy with consequences because it is without its own system of retroaction. While in a totally free market economy, overproduction tends to deter producers through the drop in prices it brings about, in a support economy, it tends to perpetuate itself by the advantage procured for each producer from the delivery of additional quantities obtained at a marginal production cost. In the final analysis, this leads to a profound distortion of the supply-demand adjustment and to a loss of responsibility of producers, who no longer feel linked to the evolution of real market demand.

The possible alternatives to the current system are two in number: the solution of direct aid or the institution of production quotas by farm, region or country. The solution of direct aid was used by the United Kingdom before its entry into the Common Market. This was the so-called "deficiency payment" system. Obtaining agricultural products at relatively low prices from Commonwealth partners: Australia, New Zealand, South Africa and Canada, the United Kingdom could in a sense mobilize part of the savings thus realized to support its own farmers through direct subsidies. This this system, acceptable to a country with a farm population of 2 percent of its active population, would lead to considerable costs for the countries of Continental Europe who signed the Rome Treaty. The option chosen in favor of maintaining family agriculture would in this case lead to an insurmountable total cost and the generalized dependency of all agriculture. A financial situation more dramatic than what we already know would result.

The institution of a production quota system, replacing the price support system, would not be without serious consequences either. In an economic system needing more vigor and innovation than ever before, it would tend to freeze existing situations and grant a bonus for seniority. Such a system would, in addition, be expressed in considerable administrative management and control

leaving enormous room for possibilities of fraud, so poorly is the real farm situation understood.

Actually, in order to make farm income progress within coherent norms and in keeping with that of other socioprofessional categories, there does not seem to be any other policy at present. Action on the market in the end allows market laws to operate for all deficit products and only poses a real problem for production with great surpluses. Rather than a general challenge to the system, one should rather go about organizing a better orientation of production. It is undoubtedly possible to protect farm income through greater support of deficit production, in compensation for a relative reduction in support for products with surpluses. Deliberate support for agricultural and rural activities in zones with marked natural handicaps (mountain and desert zones, areas that are isolated or being converted) should be ensured within the framework of a structural policy that should not be attributed to the agricultural policy budget in the strictest sense, but to a rural social policy budget. Instruments for action exist, but they should perhaps be redefined and their action strengthened in order better to respond to these objectives.

#### Evolution of EEC Budget

<u>Budget 1984 Fiscal Year</u>	<u>CP in Millions of ECU</u>	<u>1984-1983 Variations in Percent</u>
I. Commission		
A. Agricultural market guarantee	16,500	+ 4.36
B. Agricultural structures	675	+ 3.37
C. Fishing	112	+ 33.33
D. Regional policy	1,455	- 38.94
(including Regional Fund)	(1,413)	(+ 12.23)
E. Social policy	1,644	+ 9.97
(including Social Fund)	(1,220)	(- 9.63)
F. Research, energy, industry, transportation	1,740	+ 25.54
G. Reimbursements, reserves	1,109	+ 1.37
H. Cooperation for development	897	- 9.58
I. Personal, operating credits	804	+ 6.21
II. Other Institutions	426	+ 5.19
Total	25,361	+ 1.20

CP (credits for payment)

Source: Based on JOURNAL OFFICIEL of the EEC

#### Financing of EEC Budget

Expenses to cover in keeping with decision of 21 April 1970	25,361
Amount of customs duties, farm taxes, quotas in the sugar, isoglucose sector and miscellaneous receipts	10,795
To be financed out of resources from added value tax	14,566

Payments Out of Resources From Added Value Tax (TVA) (in millions of ECU)

Member Country	1% of TVA Base	Rate of TVA Resources	TVA Resources To Pay
Belgium	504	503	503
Denmark	291		290
Germany	4,200		4,188
Greece	231		231
France	3,327		3,317
Ireland	126	0.997	126
Italy	2,238		2,231
Luxembourg	36		36
Netherlands	728		726
United Kingdom	2,927		2,918
Total	14,608		14,566

Calculation of rate:  $\frac{14,566}{14,608} \quad 0.997$

Source: Based on JOURNAL OFFICIEL of European Communities

#### Preparing for the Future

As we have stated in the foregoing pages, European agriculture fits into an overall market in which the demand for commonplace agricultural products may be considered stable. Under such conditions, the two possible paths of salvation remain exportation and innovation.

The choice of a continuing and sustained agro-food export policy remains the main path of expansion available. It can be an effective aid to the balancing of agricultural markets, but once again, provided that one try to produce that which the foreign and domestic markets demand and not sell off surpluses from year  $n - k$  in order to be able to store surpluses from year  $n$ . Viewed as an overall agro-food policy rather than merely an agricultural policy, the wager of an export trade policy can be an incentive toward growth for agricultural activity. It can also help reduce unit production costs as the logical consequences of the increase in accumulated quantities produced, based on the principle of the curve of experience. In order to be persuaded that such an approach is not without interest, one has but to observe the care with which other big industrial countries are achieving and increasing their presence on outside markets. There is, in fact, no serious economic reason to prevent the advent of a deliberate export policy. Promoting an ambitious agro-food policy while sustaining a number of actions, such as the training of international negotiators and operators, the establishment of effective information systems on world markets or an increase in export incentives would probably be a profitable investment in the long run. In order to do this, one must be convinced that investments in service and information activities have now all become as indispensable as production investments.



# Degree of Self-Sufficiency in Principal Agricultural Products

		C.E.E. 1	Grèce 2	Alle- magne 3	France	Italie	Pays- Bas 4	U.E.B.L. 5	Royaume -Uni 6	Irlande	Dane- mark
<i>Céréales</i>											
Céréales totales (sans riz)	7	1973/74	91	80	82	170	68	26	43	68	102
	8	1980/81	103	101	89	173	73	27	51	94	106
Froment total		1973/74	104	98	90	191	88	46	61	60	123
	9	1980/81	119	135	105	205	82	58	71	90	127
Riz usiné, total		1973/74	112	100	78	43	208	155	165	39	4
	10	1980/81	130	102	74	31	298	178	1152	27	3
Pommes de terre		1973/74	101	100	94	102	93	128	100	99	104
	11	1980/81	101	103	86	106	100	143	99	93	102
Sucre		1973/74	—	—	98	140	63	118	188	30	105
	12	1980/81	—	—	133	219	108	160	260	48	111
Légumes frais		1973/74	95	105	38	96	111	189	136	76	109
	13	1980/81	100	126	35	95	123	199	136	70	85
Fruits frais (sans agrumes)		1973/74	82	147	46	98	125	67	60	33	25
	14	1980/81	83	154	49	95	132	50	56	28	19
Agrumes		1973/74	47	135	0	1,4	116	0	0	0	0
	15	1980/81	44	124	0	3	113	0	0	0	0
Vin		1973/74	—	—	59	100	118	0	10,1	0	0
	16	1980/81	—	—	44	103	130	0	3,4	0	0
Produits laitiers frais (sauf crème)		1973	100	0	99	101	100	101	106	100	101
	17	1981	101(*)	99(*)	102	100	99(*)	95(*)	122	100	100(*)
Fromage		1973	103	100	87	115	82	243	47	61	600
	18	1981	106(*)	92(*)	95	115	80(*)	229(*)	41	71	555(*)
Beurre		1973	98	83	114	117	65	548	106	19	203
	19	1981	118(*)	70(*)	128	122	67(*)	313(*)	103	57	299(*)
Margarine		1973	—	—	99	93	91	105	119	103	88
		1981	—	—	100	84	87	123	131	96	100
Oeufs		1973	100	100	83	101	96	152	173	98	96
	20	1981	102	99	71	103	95	299	130	98	75
Viandes totales		1973	96	86	83	97	71	187	127	70	252
	21	1981	101	79	89	101	75	214	121	79	253
bovine totale		1973	96	71	90	111	53	115	90	70	555
	22	1981	103	48	109	113	61	150	110	84	537
porcine		1973	100	94	87	87	75	209	174	65	151
	23	1981	101	84	87	83	74	237	154	67	128
de volaille		1973	102	98	50	108	98	366	115	99	108
	24	1981	110	101	63	137	99	282	88	99	95
ovine et caprine		1973	66	84	54	72	57	463	33	49	132
	25	1981	74	92	40	79	65	283	22	65	148

Source : Eurostat.

(\*) 1980.

## Key:

1. EEC
2. Greece
3. Germany
4. Netherlands
5. Belgium-Luxembourg
6. United Kingdom
7. Grain
8. Total grain (without rice)
9. Total wheat
10. Milled rice, total
11. Potatoes
12. Sugar
13. Fresh vegetables
14. Fresh fruits (without citrus fruits)
15. Citrus fruits
16. Wine
17. Fresh dairy products (without cream)
18. Cheese
19. Butter
20. Eggs
21. Meat total
22. Beef total
23. Pork
24. Poultry
25. Mutton and goat

The other alternative, which shares the same concern for upgrading agricultural surpluses and the production potential of European agriculture is that of innovation. First of all, it covers the already well-known declension of the word "bio": bioenergy, biomass, bio-industry, and so on. In political terms, this consists of accepting the idea that agriculture, the producer of renewable biological materials, does not perhaps have as its absolute mission the production of food. It also implies the idea that within the food category, a new upgrading of certain products can be pursued. After all, the final destination of the noble molecules of milk -- that is, nearly everything that is not water -- is perhaps not unavoidably milkshakes, yogurt or camembert! The test of the reasoning is perhaps just that: preserving the roots of the rural tradition, not in order to be content to contemplate the past, but in order better to ensure the growth of new industrial branches. In this spring of 1984, we must think about it!

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## UNEXPLORED TECHNIQUES FOR FUTURE ECONOMIC GROWTH

Paris CONTREPOINT in French No 48 [Autumn 84] pp 123-126

[Article by Michel Albert, president of the AGF [General Insurance of France]: "Last-Chance Europe"]

[Text] The crisis is worldwide, but it has hit Europe harder and more deeply. While the prosperity of its showcases may still create illusions, Europe is already threatened with a decline bearing heavy suffering. Public opinion is not yet aware of the fact: The beginnings of decadence have the gilded glow of the early days of autumn. But winter and the evil are there. The malady grows worse with every passing day and there is already no adequate national remedy. The dimension of the recovery is now European.

But to which Europe are we referring? The divided Europe of divergent currencies and opposing policies? The Europe which since the first oil crisis has been unable to develop any true common policy, the common policy of illusions?

Beyond these questions, one observation must be made: Europe has changed and the European parameters are no longer the same.

That which sealed the foundations of European unity in the beginning was the economic growth of member countries. That growth, in the neighborhood of 5 percent, was more rapid than in the United States. A homeland of full employment, Europe experienced strong, sustained growth.

Today, another element makes the unity of Europe go on the march.

A new factor is rapidly spreading and going deeper. That common factor is decadence.

It is a remote, abstract word whose real scope we have difficulty seizing because the experience of our generation, to which we continue to refer implicitly, is the experience of a rebirth. But the facts are there.

After stunning the world during the 1950's and 1960's with their ability to enjoy growth without inflation and join together in creating the premises of a community, the member countries went astray in the 1970's with inflationary growth, followed by inflation without growth, sacrificing the future to the present, Europe acted as if nothing had changed after the two oil crises.

Granting priority to consumption rather than to investment, Europe made a chilly retreat into the present, thus partially bringing about the very thing it dreaded.

It now represented nothing more than a means for each country to improve in the immediate present its own situation by seeking to derive maximum advantage of the common budget.

It had once courageously attacked the burning issues (coal, steel, nuclear energy, agriculture).

For a dozen years, the Community has tended to wallow in a maze of legal tangles and interminable budget debates that are somewhat ridiculous compared with the immense challenges Europe faces.

All these accumulated errors were maintained by the commotion of incessant meetings at which our old nations have acted like a bourgeois family worrying about its endangered inheritance.

It is now something of a misuse of language to speak of the European Economic "Community." The first oil crisis began to turn it into a non-Europe.

With the second oil crisis and the 1980's, there came the time to pay the price of these mistakes. Certain countries did so, but they are beginning to discover that this necessary sacrifice is not enough to enable them by themselves to gain access to a path of firm, stable growth. Others believing they had found the way to continue to work less and earn more are now entering a period of tests all the more rigorous because they will be isolated.

The game they are playing together is a game with a score of 0, the game of 0 growth that they have been playing for 3 years. Europe is manufacturing unemployed workers and has embarked upon a cumulative process of technological backwardness. These trends can only be halted if member countries continue individually to cultivate the walled garden of their divergencies compared with the others, without seeing what they contain. Instead of building a motor that could pull them along together, they exhaust themselves in quarrels that serve only to get in one another's way. On the institutional level, we have entered the era of summit conferences, but those summit conferences have gradually become, with Athens, summit meetings of platitudes and ineffectiveness, sanctioning the spectacle of Europe, where what is seen is more important than what is done.

Europe is no longer moving forward. Everything is worse and worse because each government tries to make people believe that it is right and that what is wrong is the fault of others. Each one also tries, taking the others for scape-goats, to strengthen its legitimacy thanks to the European crisis. Furthermore, Europe is not immediately dangerous. It has fewer and fewer enemies. That which does not exist is not questioned.

Beyond so many disappointed hopes, so many confirmed failures, can one still believe in the European idea? Yes, and one must. One must, it is necessary.... an old habit causing one to invoke what is desirable as often as possible.

And yet, Europe's recovery is possible. Of course, it is easier to undertake the construction of Europe by dividing up the dividends of rapid growth than to continue it when the growth of wealth stops. But one has but to become aware of Europe's rout in computer technologies in order to understand that we have only a few years left to calmly go about playing the little game of self-destruction called "every man for himself."

Furthermore, the EEC now has all the means necessary to engage a European strategy of the lasting recovery of growth and employment with stability.

There is in Europe a vast reservoir of growth and social progress scarcely explored, completely unexploited. That deposit is made up of the "European multipliers of effectiveness."

How are they to be implemented? At the Community level, there must be an initial boost strong enough to create a psychological shock, cautious enough to avoid any financial disturbance and above all, intelligible enough to rouse broad support of the partners: for example, for 3 years, an additional 1 per cent of growth each year and an addition 3 million jobs. The techniques employed use the investment weapon both to strengthen the supply and support demand. They act to rehabilitate public finances and the books of enterprises. They combine the consolidation of purchasing power with improved employment.

For 10 years on the national level, isolated recoveries have been abortive and followed by prolonged recessions. Here, on the contrary, the simulations brought about with the aid of the best experts shows that this slight stimulation of initial startup on the Community level, if accompanied by a continued effort of deinflation (an effort made by every country), will lead, all things being equal, to a recovery that is also continuous and pulling along the growth of the EEC. Likewise, the means can be found and above all, the necessary climate created in order to enable Europe to meet the energy challenge and even the technological challenge that endanger its future. Along this same line of recovery, the Community finally becomes capable of winning its monetary identity with a consolidated SME, of opening up a serious dialogue with the United States and Japan, and effectively playing its proper role for the progress of Third World countries, many of which are now threatened with a veritable collapse.

What is lacking to make this project take shape and involve those driven by the springs of growth: the desire to create, the joy in doing, the thrill of winning? Essentially, the support of a public opinion still unaware that it is facing a radical dilemma: awareness or suffering.

One example among so many others: Everywhere in Europe today, people are beginning to reduce social security benefits. Public opinion believes that this is an expression of temporary difficulties, after which everything will be as it was before. But in truth, it is but the beginning of a retreat that can only grow steadily worse as long as Europe does not find sustained, stable growth.

Likewise, if one pursues the current trend, everything leads one to believe that tensions in the industrial sectors will be very strong and that examples such as that of Talbot will only repeat themselves.

Or one must realize what one can do. The European countries have assets on the condition that they use them together. One must invest in one's neighbor, but also in that distant CAD [Aid to Development Committee], the Third World.

The harshness of the times must incite us to realism. The European countries can no longer manage by themselves. Any autonomous policy of recovery, even in the most powerful countries, is doomed. The solitary relaunching (or rather, recovery), must give way to solidary recovery. The latter depends less on the political will of governments than it does economic intelligence. Above all, it depends on the firm belief in the aptitude of Europeans to understand what their present interests and future chances truly are.

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## REQUIREMENTS FOR WORLD POWER ROLE EXAMINED.

Paris CONTREPOINT in French No 48 [Autumn 84] pp 137-152

[Article by Jean-Yves Le Gallou, former ENA [National School of Administration] student, administrative inspector, secretary general of the Club de l'Horloge, member of the board of the Republican Party: "France and the European Elan"<sup>1</sup>]

[Text] "Europe will be built at the coffin's edge." F. Nietzsche

Has France left history once and for all? Whether it has or not, can our country still hope to play an effective role in world affairs? It is in these terms that the question of our future is now posed. It is less a problem of means than of will: In order to put an end to colonization by the superpowers, not only of France, but of all Europe, we have, along with our partners, adequate technological, economic and military resources. In order to gain access to the rank of superpower once again, we only lack the "critical mass," the indispensable dynamic unity.

Our weakness is not material, but rather, spiritual and political. It is that apparent inability of European peoples to unite. Even if the prospect of a simultaneous vote of all Europeans to elect a Parliament should help give public opinion a concrete awareness of their solidarity, it will not be enough to bring about effective unity, which depends on basic conditions.

In order for peoples to decide to act together, three seeds of unity are needed: an enemy that threatens them in the same way and against whom they must defend their existence together; a myth defining the identity common to them; and finally, a driving force capable of forwarding the union. What is now the case for European peoples? The common threat exists: It is the Soviet bear. As for the other elements, it is up to France to supply them. France, which has already shown the way of political independence, must now show that of ideological and cultural independence by reviving and proposing to other nations the European model of civilization, different from both the American and Soviet models.

In the 16th century, Italy gave the Renaissance to Europe. The French ambition today must be that of becoming the leavening of the European renewal.

## Common Peril: the Soviet Union

In order for unity to be possible, it must be a vital need -- that is, for a common danger to threaten the very existence of the European countries and make them objectively united for their survival. For Europe, that threat does in fact exist and with enough strength to justify union. It has the visage of the Soviet Union, whose intense military preparations endanger the existence of West Europe as a political entity and model of society.

## Europe: Object of History

After long making major world policy, Europe now experiences it. Emerging from history after World War II, it has yielded to the United States and the Soviet Union, planetary powers that concurrently try to impose on the world their sociopolitical models made similar by common materialism. European thought and society are therefore placed under the double dependency of ideological universes that both reduce the human ideal to material welfare and the causes of the social evolution to mere economic and technical factors.

This planetarization of the world around the American and Soviet poles is accomplished without resistance from Europe, which is incapable of formulating and conducting a great policy assuring European nations of more than a future: a destiny.

Such is in fact the alternative: to be the object of the history of others or the subject of one's own. Europe's inability to choose this last solution is explained by the absence of a European vision of the human future. European thinking is still imbued with a backward conception of the world: a regionalist vision in which petty quarrels and ratios of force between European nations continue to occupy the forefront, as if Europe were still master of the world. In a time when, facing the superpowers and the holders of raw materials, Europe has become a fundamentally united whole, it is time for it to become aware of this mutation so as to adapt to it and find itself once again in the new world game in its rightful place.

## Europe: Hair Shirt

Europe is now split between two enfeeblishments: In the East, it faces the Soviet empire enclosed in totalitarianism (political monolithism, omni-impotent bureaucracy) and in the West, it is under American tutelage, characterized by ethical single-dimensionality (primacy of the values of money, homogenization of lifestyles) and a split between the political elites and the intellectual elites, largely won over to the adversary.

Under this American-Soviet condominium, Europe is a hair shirt that sooner or later runs the risk of disappearing altogether. For three centuries, the Russian empire has progressed 2,000 kilometers west, successively taking control of the Baltic countries, Poland, Prussia and Saxony. Ideologies may modify the course of the conquests, but not their general axis. The Soviet threat now weighs directly on West Europe. It may take the form either of an invasion or -- and this is more likely -- a process of neutralization consisting of



demoralizing the Europeans and making them lose the necessary strength to follow their foreign and defense policies, to the point of aligning themselves with that of the USSR. By succeeding where the czars had always failed, near the Dardanelles Strait and the Arctic Ocean, the Soviet Navy has made an indirect strategy of encirclement credible. This indirect strategy could lead to the establishment of "collaborator" regimes placing the Europe countries and their resources in the service of the tutelary power.

#### Limits of Detente

In European public opinion, these imperialistic aims of the Soviet Union were passably concealed by the euphoria of detente marking the 1960's and the early 1970's, crowned by Helsinki. The Europeans there solemnly recognized the Soviet Union's right of conquest over the Eastern nations in exchange for a useless promise (the "third basket") of the free circulation of men and ideas...whose first result in the USSR itself would be, according to Vladimir Bukovski, a hardening of the system of political prisoners. "For Moscow," the Soviet dissident explains,<sup>2</sup> "the Helsinki accords are but the means of having the West accept unilateral disarmament and erect an obstacle in the Soviet Union to the fight for human rights."

In order for the Europeans to gradually become aware of their real geopolitical situation once again, nothing less than the decline of the world policy of the United States (Indochina, Angola, and so on) would be needed, along with the warnings of Solzhenitsyn, those of the Chinese and the remarks of Leonid Brezhnev himself on the limits of the notion of detente.

As early as 1969, returning from a trip to Beijing, President Pompidou summed up Chinese apprehensions in these words: "The Soviet Union is on its way to world domination. Before attacking China, it will settle the case of Europe for two reasons: in order not to run the risk of a war on two fronts and in order to gain the industrial and technological potential it lacks."

For West Europe and France in particular, situated in the far western corner of the continent and yet in one "stage in the Tour de France" of what was once called the iron curtain, the threat is embodied in the impressive deployment of the Warsaw Pact forces. Despite the Sino-Soviet tension, the essential portion of the conventional Soviet forces actually remains massed on the European front and only the Group of Soviet Forces in East Germany, an elite outfit overequipped with ultramodern weapons, is nearly equivalent to all Allied Forces in West Germany.

In the nuclear field, only the American forces can withstand a comparison with the Soviet forces, which have the advantage of being situated right in Europe. Regarding the navy, in the case of a crisis or even of mere international tension, the Soviet power could totally isolate Europe by cutting off the maritime communications needed for its supplies, economic trade and potential logistical support from the United States. Now superior to those of the United States,<sup>3</sup> the Soviet naval forces are present on all the oceans of the globe. An air and naval operation like that launched by Kennedy during the Cuban crisis could therefore not take place easily today.

The manifest imbalance in the European theater between military powers in favor of the Eastern bloc is all the more troublesome because the impending confrontation is not only that of divergent forces and interests, but also and above all, between two incompatible political and ideological systems. The expansionist designs underlying the military effort of the USSR is both territorial, in the grand Russian tradition, and ideological, with the Messianism characteristic of Soviet Marxism-Leninism.

Therefore, as notes Albin Chalandon, "the threat is political. It expresses the combination of a will, a power and an ideology. It is expressed in diplomacy and is based on weapons."<sup>4</sup>

### European Solidarity

Facing this danger, the European countries find they share a certain number of economic, military and political interests to defend. These are all bonds of objective solidarity.

Complementary and largely interdependent, the European economies are also confronted with the same problems. This is the case of the energy supply, making European countries particularly dependent, while the United States, for example, is among the leading world oil producers and can also make use of other energy resources.

Facing the common military threat, the coordination of defense policies seems to be more necessary with every passing day. The gradual withdrawal of American forces could soon leave without outside protection a Europe that risks one day being the battlefield of an East-West nuclear conflict. The latter, on a tactical level between the Soviet Union and the United States, would assume a strategic dimension for Europe. In order to prevent such an evolution, the European countries must take their own defense in hand. A purely French conception of defense no longer corresponds to the realities of our time. For geographic, economic and political reasons, a single free nation could not survive in the heart of an occupied Europe. As for the symmetrical illusion of an Atlantic defense entirely based on the American ally, it has lasted a long time. Since the last manifestations of American policy in the world and the "calls for murder"<sup>5</sup> made during the American election campaign of 1976 by outgoing President Ford ("the Eastern countries are independent") and the new President Carter ("if there were a Soviet attack on Yugoslavia, the United States would not intervene militarily"), there has been no one to refer to it publicly. The vacuum left by these parallel evolutions must be filled by European defense. It must be a recourse among all the other hypotheses in which national defense is inadequate and the Atlantic defense does not play a role.

A politically scattered and morally weak Europe would run the risk of being pushed out of history once and for all and sacrificed by the American-Soviet team on the altar of world balance. One has already seen during the conferences on the mutual reduction of forces in Europe or the conference on security in Europe, at which the possibilities of neutralizing part of Europe were

indirectly envisaged. Inversely, a united, dynamic Europe can still hope to be active in the world political game and spread the message of ponderation and freedom that its history has enabled it to acquire.

#### Chair on the Titanic

The regionalist conception of international problems that results in a confrontation between European nations on points of detail and vain rivalries, leads to a loss of energy and influence for Europe at a very time when it should rally its forces to meet the danger. What is one to fear more: That Europe should be militarily cut off from its supply of raw materials or that Germany should have less difficulty than France in bearing an increase in the price of oil decided upon by producer nations? Such quarrels, given the gravity of the threat to all Europeans, can only seem ridiculous. On board the Titanic, does one fight over a deck chair?

Europe is now an organic whole, a group of participants that can only survive by working together, like Greece facing the Persian threat. It is a political, military and economic whole and must be defended as such. But above all, it must be defended by itself. If the alliance with the United States remains indispensable, the guarantee of protection it offers is no less uncertain. The American conventional army can be withdrawn from Europe at any time. As for the nuclear force, its sanctuary seems to have to be limited henceforth to the American Continent. That it be justified by the Monroe Doctrine, the importance of the Atlantic Ocean or the weakness of American exports to Europe, this possible withdrawal must lead European peoples to apply the wise Maoist precept to their defense: "Rely on your own forces." France has already embarked upon that path.

#### Specific Myth: the European Identity

There can be no realistic defense of Europe without unity. But it must have a profound ideological justification whose roots penetrate history and are based on wisdom: The common defense of the existence of Europe against a designated enemy presumes a positive mobilization for that which is the very essence of the European peoples, that which makes their authenticity and consequently, their unity. The overriding idea of Europe's past must become the mobilizing myth of its future.

#### European Right To Be Different

With decolonization, Europe gave up a universalist dream several centuries old. It must henceforth be concerned with finding in its identity (as a social and political model) the foundations of its unity (as a geographic and political entity). If the universal use of certain types of production and communication has made the planetarization of the world irreversible on the technical level, it does not imply its cultural extension to a single model of society. History is not fatalism, but the realization of will: Like the Arab world, like Africa and China, Europe must affirm its will for independence and its right to be different.

But on what bases can it do so? Between it and its American and Soviet "tutors," there are certainly no racial differences as notable as those which may in the past have helped the decolonization process. It is therefore on the historical level and beyond the biological level that the European identity must be affirmed. During its political metamorphoses, the Soviet Union, the heir of the steppe empire, has never departed from totalitarianism. As for the United States, an assemblage of uprooted peoples imbued with the utilitarianism of the East Coast states, it only partially fits into the European heritage. That is why there is now a fundamental opposition between the bureaucratic and mercantile reductionism governing the ruling powers and, on the other hand, the traditional European humanism, that of the Renaissance ideal: the complete, well-rounded man, the creative personality, the cultural background. It is therefore in a return to its own intellectual and moral sources, far from materialistic wanderings, that the European peoples must seek the ways of the future.

#### Politics of the Immediate Present and Politics of History

In their current situation, the European nations illustrate very well the concept of the politics of the immediate present. Without the slightest reference to a particular past or future, their governments are content to manage the consensus of the social group in the present. Such has not always been the case. In France, for example, the Third Republic until 1914 still practiced a "politics of history." Weaker institutionally than the current regime, it nevertheless rallied a broader and more deeply rooted social consensus since it extended beyond immediate problems to a certain vision of the past (common image of France and its history) and of the future (fight against Germany, colonial conquests: ambitious patriotic objectives set by reference to the past). Lacking such a consensus on a medium- and long-range historical project, France is now reduced to practicing a petty day-to-day politics. It lacks a myth, a dynamic vision of the future, defined with reference to a historic past.

If the Soviet Union has not left history, it is because it remains driven by a double myth, both Russian and Marxist, which carries it toward the same expansionistic political aim, whether it be strictly territorial or in the hues of the ideology. The universal reconstruction of the classless society, supposed to be at the root of all human society, and the pursuit of the glorious history of grand Russia are thus closely entwined in the mental motivations of the Soviet patriot. Did Stalin himself not shrewdly maintain this confusion of the two mobilizing myths, calling during World War II for the Red Army and the citizens to defend the sacred soil of the Russian homeland?

In West Europe, in contrast, lacking such a myth, those in power suffer doubt, a bad conscience, doctrinal malaise. Our societies are incapable of conceiving or practicing a long-term policy, the only thing, nevertheless, that could enable them to face the threats confronting them. Facing the Marxist myth, the American model of society; characterized by mercantile liberalism, does not offer Europeans any credible alternative. Lacking a reference to a past (which it does not have) and any clear idea of the future (such as that of a gradual

reconquest of the Marxist countries to liberalism), it carries no myth and therefore faces the Soviet Union like Chautemps faced Hitler.

### Lost Myth

From their historical past, the European peoples must therefore find a myth that could drive their ambition of unity. While being coherent with the most recent scientific data, as the Marxist myth was with Ricardo and Adam Smith, it must supply the human group in question with an effective response to the threats it faces. It is on this point that the myth of an isolated French nation reveals its inadequacy. The problems posed by the rise of the grand powers and the new world configuration it engenders cannot be resolved at the national level alone. The policy of national independence must take note of the new geopolitical realities in the world and adapt to them. France cannot follow a policy of autarchy contrary to its diplomatic tradition. In order to continue to be a subject of history, it must play the European card. Nationalism properly understood will benefit all the more when our country is in a good position to play a leading role in European construction and in occupying a privileged position in it later.

The contributions of modern science must be taken into consideration, it has been said, in the drafting of a European myth. If, for example, as biology teaches, heredity turns out to be more decisive than the environment, then the laws and constants of the history of the peoples of European antiquity from whom we spring must also be valid for us, their distant descendants. History and archeology reveal that this heritage common to the Greek, Roman, Germanic and Celtic peoples is not only that of their ancestors, but also that of their culture. European societies are traditionally built in terms of a common conception of the world. They are organized in three main hierarchical functions to which divinities and defined social activities generally correspond: the sovereign, warring and productive functions.

### Decadence of Trifunctional Society

In order for this specific organization of society to be found throughout all periods of European history, it must obviously respond to the profound aspirations of those peoples of whom we are the heirs. Now then, contemporary society is characterized precisely by a bursting of that traditional framework. Progress of the mercantile mentality has led to the dispossession of the sovereign function of its mission, which consisted of clearly establishing the values for all of society. This is a moral crisis that not only affects government, confined to politics of the immediate present, but also a Church in decline, a universe in chaos, an army in disarray, monopolized justice and a weak parliament.

This is the heart of the current crisis, which is expressed by a loss of European identity. The attempt of mercantile values to dominate all society does not fail to cause disfunctions and imbalances in the social organization, threatened with collapse. It then appears that European societies cannot hope to regain their existential strength except by restoring the order essential

to them. That trifunctional hierarchy that the sovereign (union of the holy and the legal) and warring functions have primacy over the productive function, which is indispensable but subordinate.

Based on an authentic pluralism, the myth of the European identity will give back to the European peoples, with the awareness of their common heritage, the strength to reemerge in history together. But in addition, it will propose to all mankind an original model of society that could, particularly through the American and Soviet societies, represent a hope: The trifunctional organization, by overthrowing the dictatorship of money, restores the real hierarchy of values and consequently, the organic ties of complementariness between peoples and elites that the mercantile society artificially broke.

### Return to Roots

"The spiritual patrimony of a civilization lived collectively responds to the genetic patrimony of a biological lineage,"<sup>6</sup> said President Valéry Giscard d'Estaing in September 1974. The common history of the peoples of Europe is made of physical confrontations, but first and foremost, of spiritual unity. "I have always considered Christian Europe as a great republic, all of whose parts fit together, even when they try to destroy one another," wrote Voltaire.<sup>7</sup>

Throughout the centuries, a European ecumenism has appeared and developed that was Celtic at the time of La Tène, Greek-Roman under the Empire, Germanic with the Carolingians, and that grew richer throughout the Middle Ages, before experiencing complete fulfillment under the first Renaissance.

Beyond the political wrangling and cultural diversities, unity came about, as shown in particular by the works of professors Benveniste and Dumézil, unity based on a specific vision of the world. Springing from an ancestral genius, particularly well-adapted to the European mentality, that ideology is based, as we have seen, on a tripartite social function and the autonomy of the human person. The European of today must rethink and assume on new foundations these two essential elements of the traditional European ideology. Thus he will be able to put them together in a founding myth of European unification and, within this framework, give them a new historical reality.

### Society and Its Functions

The functional disorder that is experienced by our societies is characterized by an upsetting of organic relationships, both in hierarchy between the functions and in their internal harmony. At the root of the evil is the gradually recognized primacy of the value of money in social life. It has brought about a declassification of the sovereign and warring functions and a reduction in the productive function to its mercantile aspect. In order to restore the traditional order to the articulation of functions and the internal balance to each one of them, it is indispensable to free ourselves once and for all from the mercantile model, which unfailingly leads to a challenge to the primacy of the functions of sovereignty and defense of the political community.

The administrative and political aspects of the sovereign function must be subordinated to its mythical and artistic aspects. The myth of European identity must tend to become an authentic federating principle like those of Greece or the Romans or even better, like the myth of Christianity in the Middle Ages. This implies that the government of men prevails over the administration of things, whether Saint Simon likes it or not!

A new equilibrium must be sought between the material and moral elements of the martial function. If a weapon is worth only the qualities of its user, then our army cannot carry out its mission of defending the territorial integrity and political sovereignty of our land unless it has the proper values: service, discipline, sacrifice. One does not make an army of consumers. Necessary to ethical pluralism and therefore, to the moral equilibrium of the nation, these specifically military values should also be able to reach all of society.

As for the productive function, if its current hypertrophy is to cease, it is also important for its to regain its internal plenitude through a rebalancing of abundance and temperance, prosperity and fecundity, consumption and production. The current tendency to give priority to possession and material comfort heavily hortgages the future of our societies. Economically speaking, it causes one to neglect the production and savings effort made and to thus promote inflation and recession. Demographically speaking, it is embodied in the hedonistic refusal to give life, which leads a society straight to suicide.

Free Man or Mass Man?

Free man: That is the single ideal traditionally exalted by European art in Greek theater, the Roman epics, the Celtic poems and Germanic legends. Autonomous in his choices, responsible for his actions, the free man is the symbol of the highest European virtues.

But it is precisely free man that is threatened today. Through the advance of despotisms, first of all, which now spare only West Europe and its former colonies of settlement. But inside Europe itself, there is what Konrad Lorenz has called the "contagion of indoctrination." The standardization of lifestyles, intensive propaganda and accelerated bureaucratization are all obstacles to individual fulfillment and steps toward the transformation of the European free man into a mass man.

The European peoples situated on the extreme edge of a totalitarian continent will only save their independence by putting the autonomous but responsible citizen back into the center of the political and judicial system, by strengthening formation of character in his breeding. Thus the human person will be able to regain his independence, creative freedom and control of his destiny.

Europe, Subject of History

Such a return to the roots has no other purpose than to enable Europe to regain awareness of itself and thereby, confidence in itself. By rediscovering their profound originality vis-a-vis the conception of the world and social relationships, European peoples will only rediscover their soul.

Endowed with their own model of society, the European peoples will freely define their main enemy and will consequently contract balances alliances with other geopolitical masses. They will once again have become subjects of history.

#### Driving Force: France

The unity of European peoples needs a driving force in order to arrive at what is real. This requirement is that of mere geopolitical realism. Europe does not appear as a club of nations of equal strength, driven by a uniform European thrust. In order to get off to the right start, the unity of European peoples must begin with a reorganization of the real forces emerging in its favor, not with a vague collection of weaknesses and reticence. One must here again start with what exists: the French-German axis, born of the cooperation agreements concluded between General de Gaulle and Chancellor Adenauer. It is no longer a matter of cutting France and Germany off from the other European countries, but on the contrary, of setting them up as the avant-garde of Europe. Based on a policy of friendship going beyond a relationship of dominating and dominated, the establishment of a French-German directorate must in the long run, through the gradual support of other nations, lead to the formation of an authentic European power capable of victoriously opposing the hegemonic drive of the United States and the USSR.

#### Overcoming the Obstacles

The idea of a bicephalous directorate presents practical advantages: With two members, the possibilities of cooperation on arms and the speed of response to any possible aggression are obviously better than when there are several. Military complementariness between France and Germany, as described by Albin Chalandon, strengthens the interest of their union: "France thus remains weak before the Soviet power because the development of its nuclear force, still insufficiently diversified, forces it to sacrifice its conventional forces. It cannot escape the less and less credible alternative: submission or suicide. Germany, which has a good conventional army but which cannot have a nuclear force, can therefore survive only with a protector or a partner." Is this not enough to justify a marriage of reason, even if feelings were initially absent?

Among the obstacles rising in the path of the French-German union, those of psychological origin are not the least important. The simplistic idea of an incompatibility between the Latin and Germanic types of mind on the two sides of the Rhine tends to survive even if the caricatured visions are gradually fading away thanks to increased relations and the circulation of information. One must also remember the aftermath of the successive conflicts between the two nations. Despite a general evolution favorable to the exorcizing of old demons and reconciliation, certain prejudices and some rancor still exist.

Linguistic barriers would only be truly bothersome if there were a desire to merge on the part of the two nations. Economic barriers seem more difficult to cross. The emphasis placed since the 1950's on the economic and social aspect of European unification has pointed up or even worsened divergencies



of mercantile interests between European nations. Would it not have been preferable, before coming to the economic aspects, to seek first of all an understanding on the diplomatic and political levels?

#### Assets of France-Germany Tandem

Within the Community, most countries are not capable of playing a power role on the European scale, whether for structural reasons: secondary countries because of their small size (Benelux countries, Denmark, Ireland) or for circumstantial reasons: those whose poor domestic situation makes them unable to play an outside role (Great Britain, Italy). Only France and Germany are characterized by sufficient size and political power needed to claim a leading role in European construction.

Both countries have relatively stable political institutions and, instead of diluting and bogging down power in an irresponsible collegial leadership, they concentrate decisionmaking and effective responsibility in the hands of the chancellor and the president. Consequently, if need be, the political will for rapprochement can be immediately put into practice by the leaders. Moreover, with respect to the operation of its institutions, Germany has a much deeper internal consensus than does France.

Militarily speaking, the French-German entente has substantial assets. The unity of purpose of the two armed forces is extended and reinforced by the complementary nature of their means. The ban on nuclear weapons placed on Germany has in fact caused it to concentrate its defense efforts on its conventional forces, which are now modern and powerful. At the same time, France has concentrated its forces on the development of strategic and tactical nuclear weapons that are now entirely operational. Both armies have the same strategic definition against a threat from the East. It is therefore possible to envisage the conclusion of defense agreements between them aimed at setting up a complete, autonomous force capable of opposing any aggressive intent of the Soviet Union.

Despite the crisis, the economic potential of the two countries remains high and their growth clearly greater than that of the other European nations of the same size. Given the advent of a Europe capable of vying with the American economy, the pooling of such industrial resources would be an initial decisive step.

The thesis that would tend to pit the Latin and Germanic nature of France and Germany against one another as "hereditary enemies" ignores one obvious fact: The people of southern Germany and northeastern France are less dissimilar than a Saxon from a Bavarian, a Lorraine from a Catalan. Actually, the central position of the French-German bloc as well as its geographic diversity would designate it, among the Anglo-Saxon and Nordic countries and the Latin and Iberian nations, as a link: Its regional disparities, synonymous with wealth rather than discord, enable it to offer the truly different European nations (Denmark, Spain and others) a pole of attraction around which they may rally without fear of having to abdicate their own individuality, their national identities.

## From Reconciliation to Rapprochement

Recent evolutions point toward a fortunate trend toward the utilization of these common assets in an optic no longer that of French-German reconciliation, but a rapprochement tending toward the formation of a common directorate for Europe.

The agenda of meetings and exchanges of views, now a regular event, commonly includes, in addition to an examination of the situation of both countries, an evaluation of progress on European construction, considered by both sides with the same favor. While there is not yet total agreement, particularly concerning relations with the United States, a clear rapprochement has been outlined with respect to an analysis of relations with the East. France and Germany have become aware, it would appear, that for the Soviet Union, detente does not go so far as an abandonment of its aims regarding West Europe. This common apprehension of the limits of any "Eastern policy" has brought about a parallel strengthening of ties with the People's Republic of China on the basis of an observation of an objective strategic rapprochement. If China has every interest in seeing the two main powers of West Europe remain capable of facing the Soviet threat, the French-German bloc can only hope for the continuation of Chinese pressure on the eastern borders of the Soviet empire.

Facing the transformations in the world political game, as the danger facing Europe grows and as the illusory nature of the American nuclear cover becomes apparent, one can follow the slow but sure progress in European thinking of the idea of a common defense independent of the United States.

France, Prussia or the Piedmont of Europe?

Out of the five major countries of Europe: France, Germany, Great Britain, Italy and Spain, only France and Germany can play a driving role in European construction. But on the geopolitical level, it is apparent that, thanks to its geographic, military and political advantages, France occupies a privileged position compared with the rest of the European nations, including Germany. It is a position reminiscent of that of the nations that were, in the past century, at the root of the Italian and German unifications. Like Prussia and Piedmont, can France not prevail, by virtue of its vigor and determination, as the seed of European unity?

Bismarck's Prussia had an exceedingly vast territory including the Rhineland, Silesia, Brandenburg, Mecklenburg and Pomerania. For its part, Piedmont straddled the Italian peninsula and the rest of Europe, enabling it to be an interpreter and the spokesman of both and thus to play a leading role in Italian unification. France enjoyed these two assets in its play: It has a very large territory: 550,000 square kilometers for a density of under 100 inhabitants per square kilometer. Thus, with respect to area and unexploited resources, it takes its place as the reserve of Europe. In a period of crisis, its mineral and agricultural resources and its nearly abandoned areas that could be redeveloped (the Central Mountain Range, the southwest) could turn out to be indispensable to the survival of Europe. But it also has a privileged geographical position: Situated in a temperate zone between three seas (the English

Channel, the Atlantic and the Mediterranean), France is also and above all that crucible in which three major peoples have merged: the Galls, the Romans and the Germans. Reducing things to the essential, one could say that the first gave its national temperament, the second its language and the third its name. Our country is therefore now a symbol of European unity and diversity.

Thanks to the Ruhr and Silesia, the Prussian economy had the strength of its diversity, both agricultural and industrial. Modern and rich, Piedmont agriculture ensured the kingdom of fruitful economic trade with neighboring countries. Nowadays, France is, along with Germany, the only country in the Community to have a truly strong and diversified economic might.

The policy of German unification has been served by a large, well-equipped Prussian army, open to modern techniques. The Piedmont of Charles-Albert and Victor Emmanuel II has constantly set the example and given the signal for patriotic insurrections: From the first Mazzinian revolt in 1833 to the expedition of the Thousand led by Garibaldi in 1860, the Piedmont armies never ceased being the spearhead of Italian nationalism. The French military power now includes conventional forces, definitely inadequate, but also a limited, although complete nuclear force. This polyvalent force places it at the head of West Europe.

The Prussian state, enjoying great stability, was very concerned over its sovereignty. Traditionally and solidly structured, the Piedmont kingdom had a liberal constitution, a vigorous chief of state and a profound social consensus. All the hopes of Italian patriots converged on it. With respect to France, its political strength, which is real, is based on a relatively stable government, an organized state and complete national sovereignty ever since it left the North Atlantic Treaty Organization and developed an independent nuclear weapon.

#### European Risorgimento

History teaches us that it is not enough, to play a historic role in the process of unification, to have the political, military, economic and geographic means. In decisive circumstances, one must also demonstrate both the political lucidity needed to correctly designate one's principal enemy and a will for independence expressed in action. To be complete, the parallel between France and the unifying states of Italy and Germany in the past century must therefore include, in addition to a statistical comparison of means, a dynamic comparison of their modes of utilization.

After 1812, Prussia quite rightly designated Napoleon, and no longer Habsburg, as the main danger. Likewise, Piedmont forgot its historic grievances against France and gradually granted it its support (Franco-Piedmont Treaty of 1859) in order to fight Austria, the main adversary of Italian unity. In the years following World War II, France demonstrated like realism in naming the Soviet Union, and no longer Germany, as the main enemy and in orienting its foreign policy accordingly.

Confronted with the hegemonic designs of the Austrian monarchy, Prussia manifested a fierce will for independence from 1850 to 1866. From the 18th century and until it achieved complete victory, it never ceased working to awaken the national conscience, unity and independence. France also, from the beginning of the Fifth Republic, expressed in action -- and with what brilliance! -- its determination to have independence from the superpowers, while acting in favor of a rapprochement with the other European powers.

"The cards of West Europe are in our hands," writes Georges Suffert, "for nearly the first time since Louis XIV."<sup>8</sup> If, endowed with such geopolitical advantages, France can continue to put them in the service of a clear and lucid political will, it will be able to lead this *Risorgimento* Europe so desperately needs.

### European Stakes

If France aspires to play a role in the future of West Europe, it is first of all to its defense that it must contribute. The fact is that the problem of European independence is now posed in terms of security. At the present time, that security is still based -- or believes it is based -- on the American nuclear force. But not only is the United States entering a new period of isolationism that could take extreme forms, but in addition, the very logic of nuclear weapons renders any backing of this sort dubious. Vested by nature in the sanctuarization of the national territory, it seems infinitely less reliable for the defense of some protective sheet of ice situated outside the borders or, with all the more reason, overseas. It is scarcely likely, under such conditions, that a Germany threatened with Soviet aggression could count on the nuclear intervention of the United States (or even of France, given the current state of affairs). Germany would thus be turned over to the Soviet empire, situated beyond the gates of France.

In order to prevent the realization of a scenario that would be fatal to the independence of Europe, it is indispensable that the latter have its own atomic cover. Only two solutions would now make it possible to progress along that path: the establishment of a German nuclear force or the adaptation of the French force to the European stakes. The first solution, while it is likely that it will one day or another be deemed necessary by the Germans and the Europeans themselves, still presents two types of disadvantages: Legally speaking, it would be contrary to the nuclear weapons nonproliferation treaties and those of Brussels and Paris. Politically speaking, it would provide a pretext and thus risk precipitating Soviet reprisals. There then remains the solution of adaptation of the French force to the European stakes: That force now makes France a country not only capable of controlling its own destiny, but of constituting the protective pole around which the other European countries could revolve. As the German daily FRANKFURTER ALLGEMEINE ZEITUNG wrote in June 1975: "The French strike force is some 10 years behind the United States, technically speaking. But that gap must not be overestimated. France could reduce a dozen large cities in the Soviet Union, even beyond Moscow and 50° longitude, to ashes."

Our country will not play a leading role in Europe until the day it can make all of Europe a sanctuary with its own nuclear force. In keeping with the greatness of France, that extension of the French sanctuary to the European sanctuary now implies a major strengthening of our nuclear might.

Thus promoted to the rank of guarantor of European security, thanks to a nuclear force capable of sanctuarizing associated states and their sources of supplies, France could legitimately make its views of the future prevail: a strategy of European independence and a European model of balance of the three social functions and the corresponding values.

France's destiny can no longer be separate from a European future as one may have feared, but also, as we want to see it. For over 30 years, Europe has lost the preponderant role it played in the history of the world. With the promise of complete domination and given up to all manner of blackmail, will it be able to realize that great design of unity which Sully, minister of Henri IV, so insistently called for? If the nations of Europe remember what separates them and forget that which unites them, then these past years will have been but the prelude to the decline, the fading lights of a past thousands of years old. If they succeed in defining together, not only their interests, but a will, then that fading into the background will have been but an interlude and a new European miracle will be possible.

#### FOOTNOTES

1. Excerpts from the book "Les Racines du Futur," by Jean-Yves Le Gallou and Le Club de l'Horloge, reprinted by Albatros.
2. Vladimir Bukovski, 19 December 1976.
3. Two aircraft carriers compared with 14, but also 36 cruisers compared with 28, 111 destroyers compared with 73, 147 frigates compared with 65, 408 submarines compared with 110, according to the weekly VALEURS ACTUELLES.
4. "Pour une Defense Europeenne," LE MONDE, 15 January 1976.
5. Jean d'Ormesson, dinner-debate of Le Club de l'Horloge, 26 October 1976.
6. "Biology and the Future of Man" colloquium.
7. Voltaire, "Histoire de la Guerre de 1741."
8. Georges Suffert and Pierre Chaunu, "La Peste Blanche," Gallimard, 1976, p 225.

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